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Massachusetts
Taxpayers Foundation

# MTF LEGISLATIVE SESSION PREVIEW

## 2025-2026

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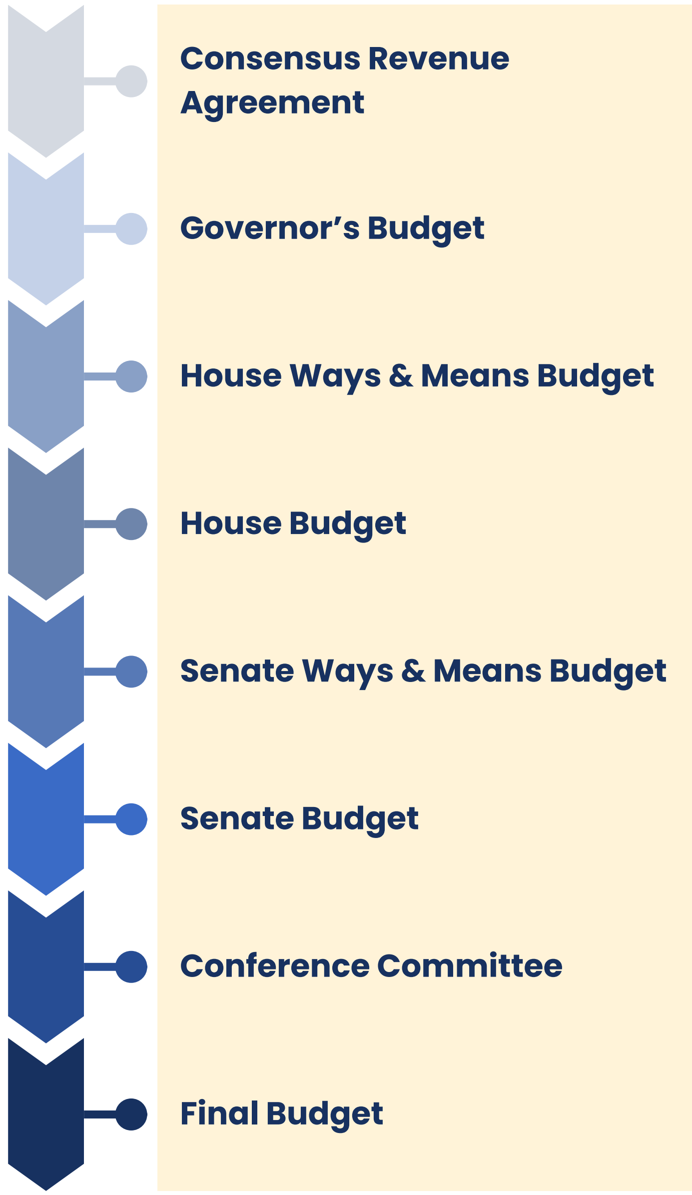
# STATE BUDGET PROCESS 101

The state budget process in Massachusetts conforms to a fiscal year (FY) schedule, which runs from July 1st to June 30th. In order for the budget to be in place for the start of a new fiscal year, the budget development process generally takes place from January to July and it begins with the Consensus Revenue Agreement.




### Consensus Revenue Agreement

Each year, the state budget development process kicks off with the Consensus Revenue (CR) Agreement. Through the CR agreement, administrative and legislative budget writers determine the amount of tax revenue that will be available to support operating budget spending in the upcoming fiscal year. This estimate is informed by testimony provided by economic experts at a public hearing and it creates a shared revenue foundation upon which the Governor, House, and Senate can build their budget proposals.

This legislative session, the deadline for the CR agreement is January 15th.

### Governor's Budget

Following the CR agreement, the Governor submits her budget proposal for the upcoming fiscal year. The timing for the Governor's budget submission is established in Massachusetts General Law (MGL 29:7H); and in a standard year, the Governor's budget must be filed within three weeks of the convening of the General Court. In 2025, Governor Healey is expected to file her budget proposal during the third week of January. It's important to note, that while the Governor's budget is based on the CR agreement, neither the administration nor the Legislature are prohibited from proposing tax changes that may reduce or increase the amount of revenue collected during the fiscal year.

## House and Senate Budgets

Between February and March, both the House and Senate are actively reviewing the Governor's budget proposal, meeting with government and non-governmental stakeholders, and developing their own unique spending plans.

The House Ways and Means (HWM) Committee is the first to take up the Governor's proposal, historically publishing their own budget the Wednesday prior to April vacation (April 10th in 2024). After the HWM release, members typically are given three days to file budget amendments to be considered during the debate process. House debate has historically taken place the week after April vacation. Over the course of several days, more than a thousand amendments are either approved, rejected, or withdrawn from consideration.

The Senate Ways and Means (SWM) Committee releases its version of the budget shortly after the House budget is finalized. Typically, the SWM proposal is published during the second week of May (May 7th in 2024); and like the House, members are given several days to file amendments. Senate debate is traditionally held the week before Memorial Day.

## Conference Committee

Once the House and Senate have their final budgets, the budget development process moves to a Conference Committee. The Conference Committee is comprised of three members from the House and three members from the Senate, and is led by the respective chairs of the Ways and Means Committees. The responsibilities of the Conference Committee entail reconciling all spending and policy differences between the House and Senate bills and delivering a compromise budget to the Governor's desk by the start of the new fiscal year.

In recent years, Conference Committee deliberations have extended past the July 1st deadline.

| Fiscal Year | Budget Enacted | Signed by Governor |
|---|---|---|
| FY 2020 | July 23rd | July 31st |
| FY 2021 | December 4th | December 11th |
| FY 2022 | July 9th | July 16th |
| FY 2023 | July 18th | July 28th |
| FY 2024 | July 31st | August 9th |
| FY 2025 | July 19th | July 29th |

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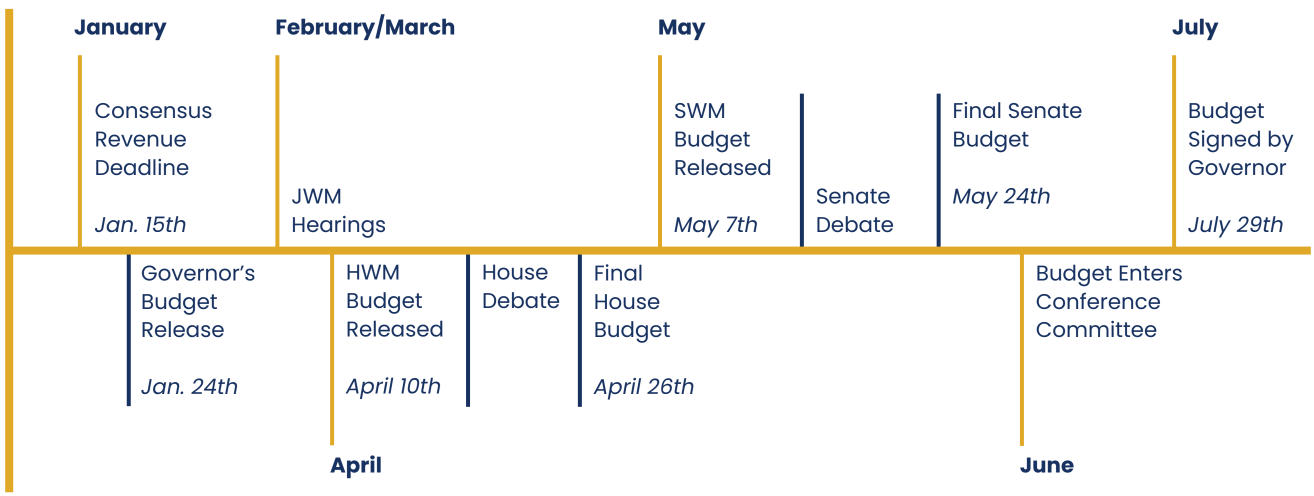
## Enactment of the Final Budget and Vetoes

After the Conference Committee report is enacted by the Legislature, the compromise budget is sent to the Governor's desk and she is given ten days to sign the budget, send back spending or policy vetoes, and amend any outside policy sections. When an outside policy section is returned with an amendment, the Legislature must decide whether to reject, amend, or adopt the Governor's proposal in the form of a new bill. The Governor retains the ability to veto amendments once they are returned to her desk. Vetoes may be overridden with a two-thirds majority vote by both the House and Senate.

### Budget Development Process Timeline in FY 2025



# CAPITAL INVESTMENT PLAN PROCESS 101

The Commonwealth's Capital Investment Plan (CIP) outlines the administration's capital spending priorities and details the specific projects and programs that the state will fund through borrowing over the next five years. It is also updated annually. Unlike the annual operating budget, the CIP is not a piece of legislation and does not require legislative approval. However, its development process does generally conform to the fiscal year schedule and it is impacted by legislatively approved bond bills.

The development of the Capital Investment Plan begins with recommendations from state finance experts and is informed by a number of statutory and administrative debt affordability policies.

### Why Does the State Borrow Money?

Capital spending includes investments to maintain our physical assets – roads, bridges, buildings, software, and other systems – that will benefit the state and its residents for years to come. Because capital projects are typically large scale in nature and take multiple years to complete, the state primarily pays for them by selling bonds, which are repaid over the life of the project via debt service included in the annual operating budget.

### How Does the State Borrow Money?

Under the State Constitution, the Commonwealth is authorized to borrow money by a two-thirds majority vote of members from the House and Senate. The pieces of legislation that provide the administration with the authority to borrow money are referred to as bond bills. Bond bills typically authorize the sale of bonds to support five years of capital spending in a specific policy area; meaning that at least every five years, or so, there is a new environmental bond bill, public safety bond bill, or transportation bond bill. Because the Legislature must approve most borrowing by a two-thirds majority vote, bond bills must be considered during legislative sessions when roll calls can be recorded.

However, while bond bills grant the administration the authority to borrow money for certain purposes, the Executive Branch has significant discretion over actual capital spending. This discretion allows the administration to ensure that state borrowing remains within the limits of several statutory and administrative debt affordability policies and does not jeopardize the state's long-term fiscal stability.

The administration's capital spending decisions are announced in the annual Capital Investment Plan (CIP), which must be released by July 1st of each year. Although the CIP is not a piece of legislation, its development does follow a specific process and timeline.

## Capital Investment Plan Development Process

The CIP process begins with recommendations from the State Treasurer and the Debt Affordability Committee on the total amount of outstanding direct debt that the state may carry on its books, how debt service payments compare to budgeted revenues, and the level of new borrowing that may be issued in the upcoming year.

Once these recommendations are provided to the Governor, state agencies and departments work closely with the Executive Office for Administration and Finance on their capital spending priorities and requests. Between January and July, the administration is actively preparing the Capital Investment Plan document, which must be finalized by July 1st.


After the CIP is published, the State Treasurer is directed to issue bonds to finance the identified capital projects and programs.

## Role of Bond Bills

While the Legislature does not play a direct role in the development of the Capital Investment Plan, they are responsible for approving all borrowing by a two-thirds majority vote. Pieces of legislation that approve the sale of bonds to support borrowing are called "bond bills."

Bond bills authorize the maximum amount of bonds that may be sold by the State Treasurer to support capital spending, and they are typically organized by specific policy areas. Common bond bill topics include: transportation, housing, environmental, higher education, and general government. Because bond bills only establish an upper limit for new authorizations for programs, the administration is not required to spend up to a specific authorization amount. In fact, the administration may decide not to spend any amount of an authorization at all.

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## Bond Bill Process

As pieces of legislation, bond bills move through the traditional legislative process; however, due to their unique nature, there are also a few additional steps.

All bond bills must be filed by the Governor; however, unlike operating appropriation bills they do not expire if they are not acted upon during the first year of a legislative session.

Once the bill is filed, it is referred to the appropriate Joint Committee. For example, a transportation-focused bond bill would go first to the Joint Committee on Transportation

After it has received a hearing, the bill is then referred to the Joint Committee on Bonding. It receives another public hearing at that point, before it is sent to the House Ways and Means Committee. After the House has taken action on a bond bill, it moves to the Senate for consideration.

**Bond bills must be filed by the Governor.**

**The bill is referred to the appropriate Joint Committee.**

**The bill is referred to the Joint Committee on Bonding.**

**The bill is referred to House Ways and Means.**

**After House action, the bill moves to the Senate.**

# SESSION PREVIEWS

# GENERAL BUDGET & FISCAL UPDATE

Each year, the Commonwealth of Massachusetts' annual budget allocates the resources necessary to support the operations of state government and maintain critical local services. In Massachusetts, the annual operating budget is developed and approved through a lengthy and involved legislative process that begins with the filing of the Governor's budget proposal and concludes with the submission of a final budget agreement between the House of Representatives and State Senate.

During the 2025 – 2026 legislative session, two operating budgets will ultimately be signed into law that will include approximately $60 billion of state investment in areas such as healthcare, education, transportation, and workforce development. Given the significance and scope of the annual operating budget, this preview offers an overview of the state budget process and the factors that have had the largest impacts on state spending decisions in recent years. It also identifies the key policy questions that policymakers will face in the upcoming legislative session related to the state's short and long-term fiscal outlook.

## Background & Policy Context

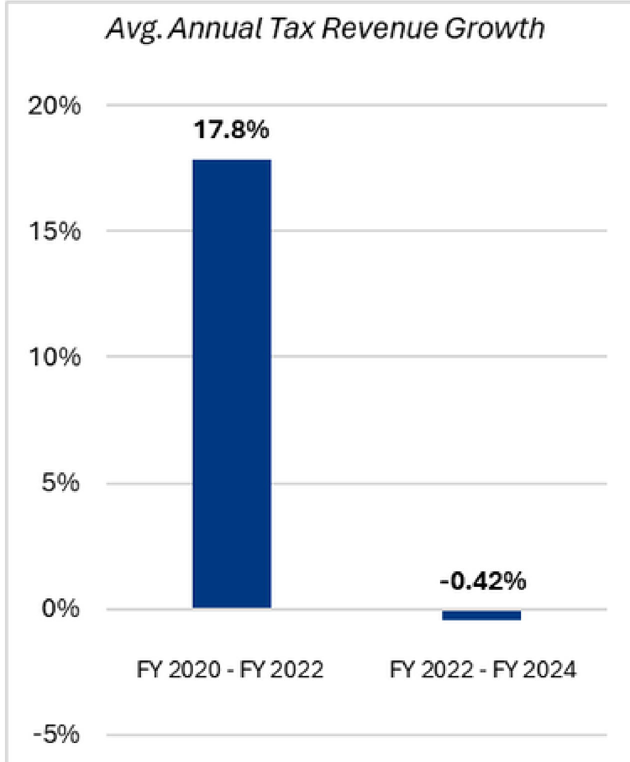
### State Budget Process

The state budget in Massachusetts conforms to a fiscal year schedule, which runs from July 1st to June 30th. In order for the budget to be in place for the start of a new fiscal year, the budget development process generally takes place from January to July, beginning with the Consensus Revenue Agreement and ending with the enactment of the Final Budget. For more information, see MTF's State Budget Process 101 Primer.

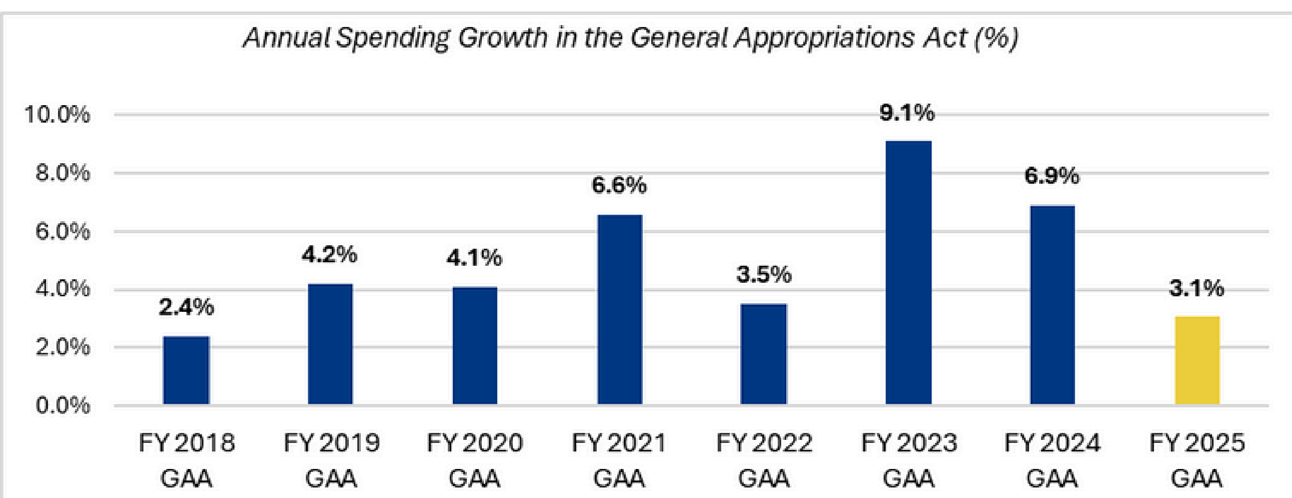
### Recent Trends in State Revenue & Spending

Over the last two years, the Commonwealth has been navigating a time of fiscal transition. During the pandemic (FY 2020 to FY 2022), state tax revenue collections grew at an average annual rate of 17.8 percent. This exponential revenue growth during the pandemic was fueled by a strong stock market and pandemic-recovery spending, and it led to large tax revenue surpluses and increased supplemental spending. It also led to significant increases in the amount of spending included in the annual operating budget. In the FY 2023 state budget, spending grew over the prior year by 9.1 percent.  In the five prior years (FY 2018 to FY 2022), spending had grown by an average of 4.2 percent each year.

Since FY 2022, trends in state tax revenue collections have shifted dramatically, with revenue growth between FY 2022 and FY 2024 actually decreasing by an average annual rate of 0.42 percent. The vast majority of this loss has been seen in the non-withheld income tax category, and specifically, in capital gains collections. Between FY 2022 and FY 2024, capital gains collections decreased by $1.8 billion (47 percent). It's worth noting that this revenue decline has taken place despite the passage of the four percent income surtax on income over $1 million; which went into effect in January 2023 and resulted in $2.46 billion in new revenue in FY 2024.




Throughout the budget development process in FY 2025, a main priority of the Healey administration and the State Legislature was to realign spending growth with revenue expectations. The FY 2025 consensus revenue estimate assumed that non-surtax state tax revenues would increase by 3.5 percent over FY 2024. Ultimately, the budget that was signed into law by Governor Healey reflected spending growth of 3.1 percent. This represented a large decrease in year over year spending growth compared to recent years, which was a necessary fiscal decision given continued downside revenue risks in FY 2025 and beyond. Moving forward, it will be imperative for state budget writers to continue to limit year over year spending growth, or they risk creating an ever increasing structurally imbalanced budget.



## Income Surtax Implementation

In November 2022, Massachusetts voters approved a ballot measure that instituted a new four percent income surtax on individuals whose income is over $1 million. The surtax went into effect in January 2023, and during the 2023 – 2024 legislative session policymakers were tasked with creating a process to collect, track, and spend these resources that conformed to the requirements of the new law. Specifically, lawmakers were constitutionally obligated to ensure that all new revenues collected through the surtax are dedicated towards investments in education and transportation.

As part of the FY 2024 state budget, the administration and Legislature developed and approved the following multi-step process for surtax revenues:

1. All revenues related to the income surtax are certified by the Department of Revenue (DOR), deducted from total tax collections, and transferred to a new Education and Transportation Trust Fund.

2. Surtax revenues up to a specific threshold, known as the "surtax spending cap," are appropriated and spent on education and transportation-related initiatives, approved as part of the annual operating budget.

3. Surtax revenues collected in excess of the surtax spending cap are transferred from the Education and Transportation Trust Fund to two other trust funds: 85 percent to the Education and Transportation Innovation and Capital Fund, and 15 percent to the Education and Transportation Reserve Fund (the balance of which cannot exceed one-third of that year's surtax spending cap).

Through this process, as part of the FY 2024 and FY 2025 state budgets, $2.3 billion in income surtax revenue has been cumulatively appropriated towards education and transportation investments. As described in the following section, important discussions took place throughout the legislative session regarding how surtax resources should be distributed across the education and transportation sectors, as well as how the surtax can be used to most effectively support the short and long-term investment priorities of the Commonwealth.

Looking ahead to the 2025 - 2026 legislative session, the surtax will undoubtedly continue to play a major role in state financial decisions. After the first full year of surtax implementation, policymakers may also have an opportunity to adjust the process currently in place to ensure that it reflects the will of the voters while at the same time strengthening the state's financial position.

## Key Actions in the 2023-2024 Legislative Session

**Governor Healey's Inaugural Budget Proposal** – The FY 2024 state budget represented the first spending proposal of the Healey-Driscoll administration, and in many ways that spending plan highlighted the policy priorities of Governor Healey for the 2023 – 2024 legislative session. The Governor's budget reflected a nearly $1 billion tax relief proposal, included $1 billion in new spending supported by the income surtax for education and transportation, and maintained investments in key pandemic-era programs related to childcare, housing, and food security. Each of these issues played a major role in the spending and policy deliberations that took place between the House and Senate in 2024, with action eventually taken on each one. A compromise tax relief package was signed into law in October 2023; the FY 2024 final budget reflected the new process to collect, track, and spend surtax revenues; and the Legislature agreed to continue investments in critical programs like C3 Childcare Operational Grants and Universal School Meals.

**Implementation & Investment of the Income Surtax** – As noted above, the FY 2024 budget established the process to collect, track, and spend surtax revenues; and the FY 2025 budget conformed to that process as well. Collectively, $2.3 billion of income surtax revenue has been appropriated in support of education and transportation initiatives in FY 2024 and FY 2025. To date, surtax investments in the operating budget have been more heavily concentrated in the education sector, as shown in the table below.

*Income Surtax Investments in FY 2024 & FY 2025*

| | FY 2024 GAA | % of Total Investment | FY 2025 GAA | % of Total Investment |
|---|---|---|---|---|
| **Education** | **$524** | **52%** | **$762** | **59%** |
| *Early Education* | $71 | 7% | $278 | 21% |
| *K-12 Education* | $224 | 22% | $245 | 19% |
| *Higher Education* | $229 | 23% | $239 | 18% |
| **Transportation** | **$477** | **48%** | **$539** | **41%** |
| *MBTA* | $206 | 21% | $261 | 20% |
| *MassDOT* | $75 | 8% | $123 | 9% |
| *RTAs* | $90 | 9% | $110 | 8% |
| *Local/Pilot Program* | $106 | 11% | $45 | 3% |
| **Total Investments** | **$1,000** | | **$1,300** | |

*$ in millions*

The breakdown of income surtax spending over the last two years has also established several guidelines for the types of investments that lawmakers believe are consistent with the new law. For example, the FY 2024 and FY 2025 budgets have set precedents for using the surtax to support investments dedicated to early education, additional Chapter 70 state aid for public schools, and expanding the state's borrowing capacity for transportation-related capital projects. For additional detail on surtax spending in FY 2025, check out MTF's budget deep dive on surtax spending.

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**Tax Relief Legislation** – In October 2023, the Governor signed into law a nearly $1 billion tax relief package that included a total of 17 different tax relief provisions targeting issues of cost and competitiveness. Due to the phasing in of several major provisions, including an increased child and dependent tax credit and a reduced short term capital gains rate, the package carried an FY 2024 cost of $571 million. Tax relief came on the heels of more than $10 billion in tax revenue growth over a two year period, as well as the agreement among key policymakers that tax relief would improve Massachusetts' position as a place that retains and attracts people, jobs, and investment.

| Status of Major Tax Policies | |
|---|---|
| **Policy** | **MTF Annualized Cost** |
| EITC | *$91* |
| Circuit Breaker | *$60* |
| Rental Deduction | *$40* |
| CDTC | *$300* |
| Estate Tax | *$213* |
| Short Term Cap Gains | *$65* |
| Single Sales | *$79* |
| LIHTC | *$55* |
| HDIP* | *$20* |
| Minor Provisions | *$28* |
| **Total Fiscal Impact** | **$951** |
| **Total Impact Net to Budget** | **$886** |

In addition to increasing the child and dependent tax credit and reducing the short-term capital gains rate, the legislation increased the senior circuit breaker tax credit, the rent deduction, and the earned income tax credit. It also increased the state's estate tax cap from $1 million to $2 million and proposed implementing mandatory single sales factor apportionment for corporate taxation. MTF's complete summary of the tax relief bill can be found here.

**Realignment of Spending & Revenue Expectations in FY 2025** – The FY 2025 budget development process was unique compared to recent years due to its focus on reigning in spending increases to align with expected revenue growth. Each of the budget proposals originally put forward by the Governor, House, and Senate reflected spending growth over FY 2024 of approximately 3.6 percent; consistent with the estimated non-surtax revenue growth rate of 3.5 percent and significantly lower than the spending increases seen in FY 2023 and FY 2024 (9.1 percent and 6.9 percent, respectively). However, as actual revenue collections throughout FY 2024 continued to fall below expectations, there was a recognition that an even more conservative spending increase would be necessary in FY 2025 to ensure that the state was on solid financial footing.[1] Ultimately, the final budget reflected spending growth of 3.1 percent; but that was only possible after Governor Healey vetoed $317 million in gross spending from the conference report enacted by the Legislature. Looking ahead to FY 2026, maintaining modest rates of spending growth should be a priority for policymakers, particularly as they face both known and unknown cost exposures outside of the annual operating budget, including the Emergency Assistance shelter system and the Steward hospital crisis.

[1] In January 2024, Governor Healey also announced $545 million in gross spending vetoes ($375 million net). These spending cuts took place after December revenues were released, showing FY 2024 year to date collections falling behind benchmark by $769 million. For additional information on the Governor's FY 2024 spending vetoes, read the MTF Analysis of FY 2024 Tax Revenue Shortfall & 9C Cuts.

## Key Policy Questions for the 2025-2026 Legislative Session

As policymakers, advocates, and other interested stakeholders prepare for the new legislative session and the upcoming FY 2026 budget development process, MTF highlights the following key policy questions:

***How will state budget writers maintain new program investments while confronting slow and declining revenue growth?***

Over the last few years, a wide array of new state programs and investments have been incorporated into the operating budget, including implementation of the Student Opportunity Act (SOA), full-year funding of C3 Childcare Operational Grants, Universal School Meals, and Free Community College. At the same time, the state has also continued funding for certain programs at pandemic-era highs, like rental assistance, shelter services, and food insecurity infrastructure grants. In combination with standard cost increases for other state-funded programs and services, these investments will be challenging to sustain during a time of limited revenue growth. In FY 2026, as in FY 2025, budget writers may be forced to build their budget proposals with fewer consensus tax revenues available to support budgeted spending than the year before. While a range of solves will be necessary to craft a balanced budget, there are at least two strategies that policymakers could consider using to cover certain cost increases. First, a number of these programs have been partially supported by income surtax revenue in the last two years and moving forward, that share could grow and account for any new spending requirements. This would be possible because the surtax spending cap will incrementally increase each year; but, it would also limit the resources available to support entirely new programs. Second, costs related to SOA implementation and childcare operational grants could be partially covered using existing trust fund resources. However, trust fund resources are one-time in nature, so for this to be an ongoing solution the fund balances must be maintained or replenished when possible. Ultimately, the maintenance of these significant programs may come at the expense of new investments as the state enters a period of limited revenue growth.

***After the first full year of income surtax implementation, what changes could policymakers consider making to the process put in place in FY 2024 to collect, track, and spend these revenues?***

The process created by policymakers in FY 2024 to collect, track, and spend surtax revenues is clear and transparent; and it has directed billions of dollars in new revenues towards the education and transportation sectors. However, after reflecting on the first full year of surtax revenue implementation, there are several policy changes and improvements worth consideration.

- **Improve surtax revenue reporting** – Two years after the income surtax went into effect, there remains limited reporting on actual surtax revenue collections throughout the fiscal year. Surtax revenues are included within the broader income tax category that is reported on monthly by the Department of Revenue, but collections directly related to the surtax are not segregated out from all other income tax collections. The lack of in-time reporting on the surtax creates challenges when it comes to comparing non-surtax revenue collections to benchmark, and comparing surtax collections to the surtax spending cap applied to the operating budget.

- **Differentiate between the surtax spending cap & surtax revenue projections** – The surtax spending cap is a limit on the amount of surtax revenue that can be incorporated into the operating budget each year. This cap is purposefully set at a level lower than projected collections to ensure that the amount of surtax spending in the budget is sustainable over the long-term. The relationship between the spending cap and revenue projections becomes confusing, however, because it is the spending cap that is currently incorporated into the tax revenue benchmarks for the fiscal year. Because the spending cap is purposefully lower than expected collections, this practice perpetually underestimates the amount of surtax revenues that will be collected during the fiscal year. Moving forward, policymakers may consider incorporating surtax projections into the tax revenue benchmarks, instead of the spending cap.

- **Incorporate more flexibility into the surtax spending cap** – Establishing a surtax spending cap for the fiscal year as part of the budget development process provides clarity and structure for state budget writers, and should remain an important part of the surtax process. However, it may also be appropriate to develop a structure to adjust the surtax spending cap at the end of the fiscal year, based on actual revenue collections. The surtax spending cap for the fiscal year is set 18 months prior to actual surtax revenue collections being known, and revenue projections can change dramatically over that time period. Creating a process that acknowledges fluctuations in revenue collections would allow administrative and legislative budget writers to more effectively manage surtax revenues as part of the operating budget.

***What will be the strategy for investing income surtax revenue in FY 2026 and beyond?***

Heading into the 2025 – 2026 legislative session, policymakers will need to address two primary questions related to income surtax investments. First, how will new income surtax revenue be distributed across the education and transportation sectors in the operating budget? And second, how will excess surtax revenues currently held in the Education and Transportation Innovation and Capital Fund be appropriated for one-time and capital-related projects?

To the first question, a portion of new income surtax revenues will likely be required to maintain large new programs that have been incorporated into the operating budget, including programs like Universal School Meals and C3 Childcare Operational Grants. To the extent that there are revenues available to support new investments, opportunities that maximize the long-term impact of a dedicated revenue stream should be prioritized. For example, in the FY 2025 GAA, policymakers approved a $250 million annual transfer of surtax revenue to the Commonwealth Transportation Fund, which unlocks more than $1 billion in additional borrowing capacity for transportation-related capital projects.

To the second question, a supplemental spending bill to appropriate surtax revenues in the Education and Transportation Innovation and Capital Fund is likely to be considered early in the new session. As policymakers consider how to spend these one-time resources, at least 50 percent should be dedicated towards transportation. In particular, as MTF previously reported, funds from the Innovation & Capital Fund, in conjunction with surtax operating resources, can be a crucial tool in helping to address MBTA operating gaps in FY 2026 and FY 2027.

***What known and unknown cost exposures will impact state spending throughout the rest of FY 2025 and into FY 2026, and what resources exist to address these costs?***

As state budget writers worked to close the books on FY 2024, a major area of discussion was how to appropriately prepare for the known and unknown cost exposures that the state is likely to face throughout FY 2025 and FY 2026. These costs include the Emergency Assistance (EA) shelter system, the Steward hospital crisis, and increasing demands on caseload-driven programs like MassHealth and Child Care Financial Assistance (CCFA).

These spending needs will be in addition to the standard increases required in FY 2026 to maintain a consistent level of service across all other state departments and agencies. Over the past few years, the state has had access to several reserve funds to help cover these costs and relieve pressure on the operating budget, including the Transitional Escrow Fund, the

Student Opportunity Act Investment Fund, and a High Quality Early Education and Care Affordability Fund. However, the balances of these funds are dwindling and could be depleted over the next couple fiscal years. In order for reserve funds to remain a critical tool for budget writers, these funds must be bolstered when possible.

In addition, a major unknown impacting the state's fiscal future beginning in 2025 is the impact of federal action on the state's economy and budget. Policy proposals from the Trump administration could have profound and immediate impacts on the Commonwealth. For example, the extension and potential expansion of the Tax Cuts and Jobs Act of 2017 could boost state tax revenue collections in the short-term, but could come at the expense of major cuts to domestic programs, like Medicaid and funding for public schools. Each year, Massachusetts receives more than $10 billion in federal reimbursement for state Medicaid spending; and even a partial loss of that funding would be disastrous for the state budget and the state's healthcare system. During the 2025 – 2026 legislative session, policymakers must be aware that policy changes at the federal level could occur with limited notice, and they must be prepared to respond.

## Related Research from the Massachusetts Taxpayers Foundation

**State Budget Process**

- Governor Healey's Fiscal Year 2025 Budget
- House Ways & Means Fiscal Year 2025 Budget
- Senate Ways & Means Fiscal Year 2025 Budget
- FY 2025 Conference Committee Report

**Fiscal Updates**

- FY 2024 Tax Revenue Shortfall & 9C Cuts (January)
- FY 2024 Fiscal Update (April)
- FY 2024 Fiscal Update & Closeout Supplemental Budget (October)
- FY 2025 Fiscal Update & FY 2026 Consensus Revenue Hearing (December)

# EDUCATION ~ EARLY EDUCATION & CARE

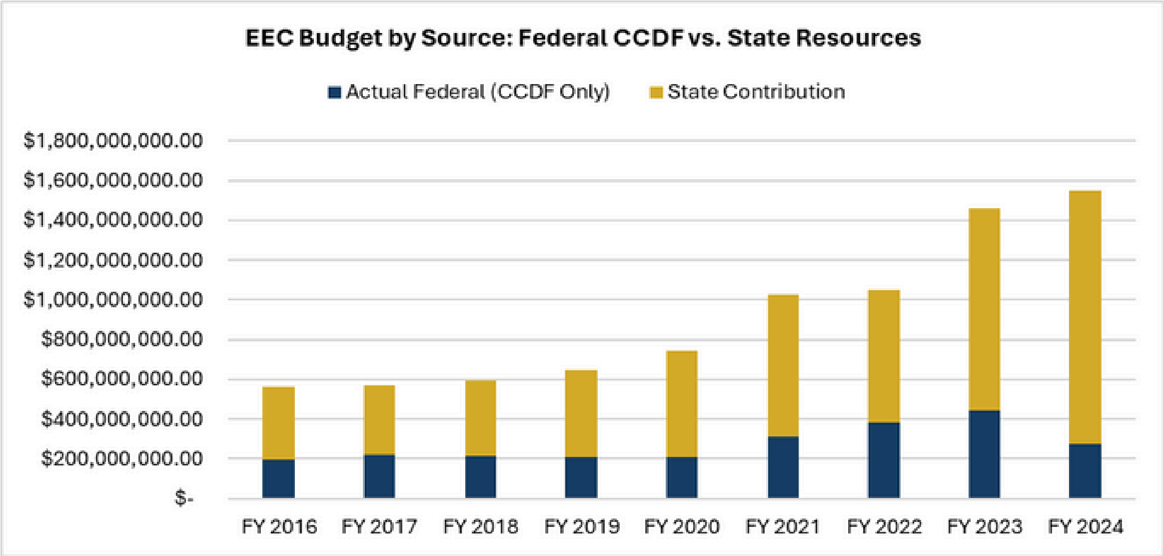
The early education and care system in Massachusetts is a complex and multi-pronged system, with more than 8,000 providers across the state serving children from birth through school-age. Multiple funding streams and programs help support the early education sector, children, families and providers. Since the pandemic there has been an increased focus on early education at the state level given the important effects the system has on outcomes for children and our state economy. Between Fiscal Year (FY) 2020 and FY 2025, funding for the Department of Early Education and Care (EEC) has more than doubled, increasing by $858 million.

In the past two years, there has been great interest in work to expand access to child care for families, increase support for providers and the early education workforce, and build an equitable and effective system overall. This preview provides brief coverage of the recent investments that have been made in the system, descriptions of the key actions that took place during the 2023 - 2024 legislative session, and highlights what questions we are expecting to be central to the conversations around early education this session.

## Background & Policy Context

### Early Education Financing in Massachusetts - Federal and State Funding

Public funding for early education in Massachusetts is provided by both the state and federal government. Between FY 2016 and FY 2019, federal funding from the Child Care Development Fund (CCDF) made up about a third of EEC's budget.



Since FY 2020, state investment in the department has increased at higher rates than federal funding, and by FY 2024, state resources made up 82 percent of EEC's budget. A large part of this increase is related to the funding for the new provider grant program Commonwealth Cares for Children (C3) which was fully funded for the first time by the state starting in FY 2024.

At the state level, several new funding sources have been tapped in recent years to support EEC's growing budget, including the income surtax, trust fund resources, and a new online lottery program.

Since its implementation, the income surtax has been a major source of revenue for early education programs, with $70.5 million and $278 million from the surtax being used to support EEC investments in FY 2024 and FY 2025, respectively. In FY 2025, the surtax was used to support C3, an expansion of the Commonwealth Preschool Partnership Initiative (CPPI), Child Care Financial Assistance (CCFA) waitlist reduction, provider reimbursement rates, an expansion of income-eligible CCFA, and a new early literacy program that will serve children from age three to third grade.

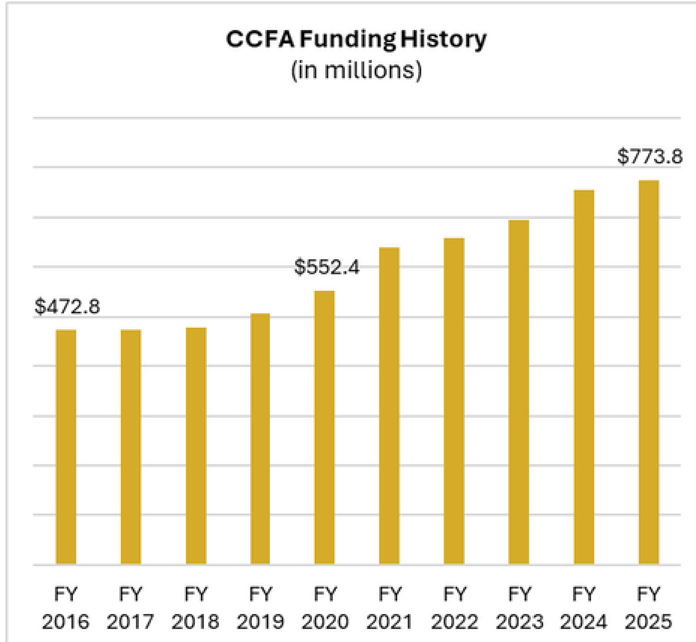
Another important funding source for EEC, and specifically for C3, has been the High-Quality Early Education & Care Trust Fund. The fund was created in FY 2023 with surplus tax revenue collections and was initially funded at $490 million. In FY 2024 and FY 2025, the trust fund was used to support C3, and its current balance is $65 million; limiting the availability of one of the primary funding sources of C3 going forward. Because C3 is still a relatively new state program in the early stages of implementation and revenue collections remain uncertain, maintaining a balance in the EEC Trust Fund can help to ensure that the state maintains its obligation to C3 in the coming years.

Finally, as part of the FY 2025 budget, the Legislature established an online lottery system and directed revenue from the iLottery to a new Early Education and Care Operational Grant Fund to support C3. Initial estimates suggested that an online lottery would generate between $75-$100 million in new revenue for the state; however, these collections are not guaranteed, and the Treasurer's Office has said that collections likely will not occur until mid-FY 2026. To address this potential funding shortfall, the final FY 2024 supplemental budget transferred $150 million of surplus surtax revenue to the EEC Operational Grant Fund, and appropriated an additional $2.5 million to implement iLottery.

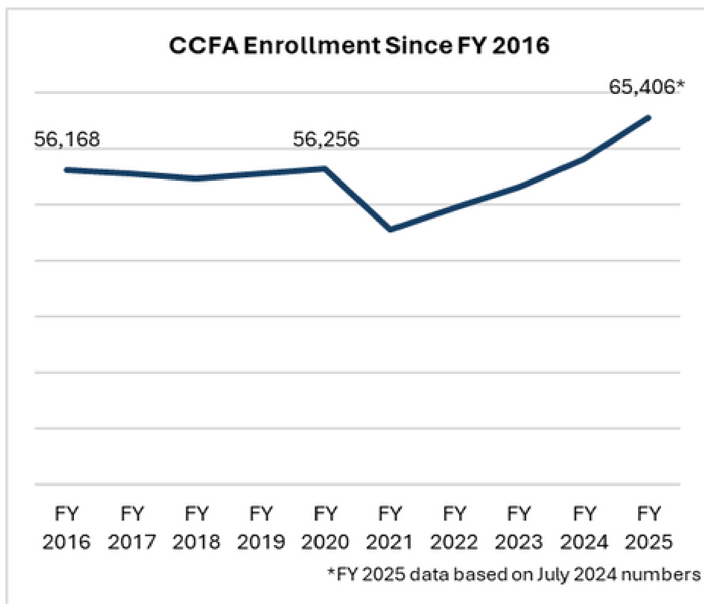
Maintaining balances in the EEC Trust Fund and the EEC Operational Grant Fund, irrespective of iLottery, could offset the potential for volatile or underwhelming iLottery collections as the lottery is implemented in the coming years.

### Child Care Financial Assistance – Serving Our Most Vulnerable Children

CCFA provides support to lower-income families and families engaged with the Department of Transitional Assistance (DTA) and the Department of Children and Families (DCF) so that they can afford and access care for their children. CCFA currently serves roughly 65,000 children across its income-eligible, DTA, and DCF programs. Providers accept children receiving CCFA by entering into voucher agreements or contracts with the state, and about half of all providers in the state serve children receiving CCFA. Providers who serve CCFA children receive reimbursement from the state on a per-child basis, and rates vary by region and the age of the children served.



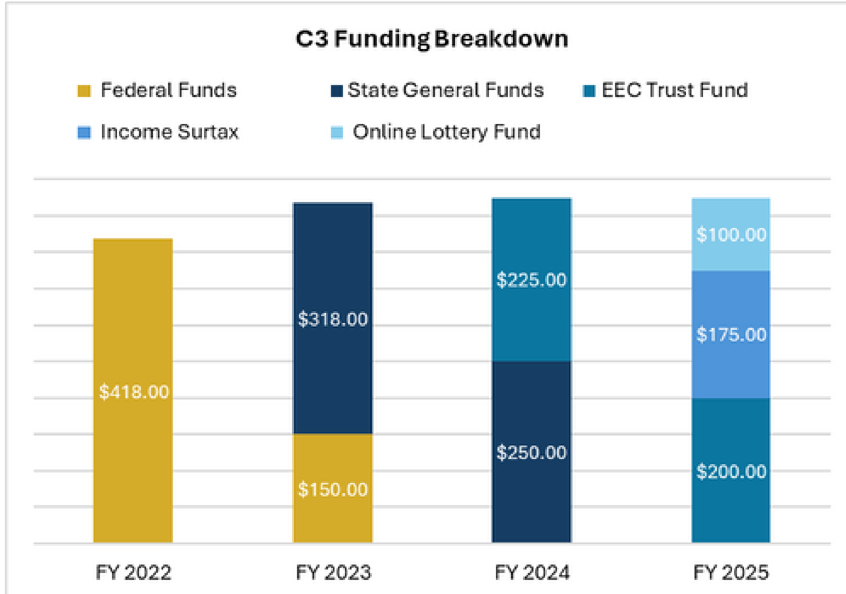

Despite the progress made in strengthening the CCFA program in the past few years and an increase in enrollment since the pandemic, EEC has stated that the system is currently at capacity. Yearly increases in CCFA funding have been largely driven by the annualization of provider rate increases, which are an essential part of the system, but do not necessarily translate to increasing the number of children providers can serve.




MTF recommends that specific enrollment benchmark language for income-eligible CCFA be included in the FY 2026 budget so that funding is more intentionally allocated to meet the goal of increasing CCFA enrollment. Ultimately, challenges facing the early education workforce present significant barriers to expanding capacity system-wide because without a strong, stable, and growing workforce providers will not be able to expand capacity and demand for care will continue to far outpace supply.

### Commonwealth Cares for Children - Supporting Early Education Providers

C3 is the state's operational grant program for early education providers. The grant program was originally a federal program created in 2021 to distribute federal child care stabilization funds from the American Rescue Plan Act (ARPA) to address the financial burdens faced by providers during the pandemic and stabilize the sector during a turbulent time.




Though C3 was originally a federally funded program, the state has continued funding for C3 as federal funds expired. To date, Massachusetts is the only state in the country to fully continue their pandemic-era stabilization grant program with state funds.

Currently, all child care providers in the state are eligible to receive C3 grants, but in FY 2026 a new policy will go into effect requiring providers receiving C3 grants to also certify a willingness to accept children receiving CCFA. While the program serves as an important complement to the CCFA system, it also offers providers a unique source of financial support. Providers may use C3 funding for operating expenses, capacity building efforts, early education workforce supports, and quality improvements. Funding is formula-based, and not solely calculated based on enrollment. The C3 program has also allowed the state to collect detailed data from providers through monthly reporting requirements, which have been useful for EEC planning, as the data sheds light on the overall health of the system beyond C3.

## Key Actions in the 2023-2024 Legislative Session

**C3 Codification** – C3 was funded at a total of $475 million in the FY 2024 and FY 2025 budgets and the grant program was codified into state law through several outside sections in the FY 2025 budget. As shown in the chart above, since federal funding has been exhausted, a combination of different state resources have been used to support the program. In FY 2025, the High-Quality Early Education & Care Trust Fund, the income surtax, and the newly created Early Education and Care Operational Grant Fund were all used to support C3. Provisions in the FY 2025 budget also outlined a funding distribution formula for FY 2025, broken down in the chart below.

| Tier Definition | Percent of Grant Funding |
|---|---|
| Providers with enrollment including at least 25% children receiving CCFA, or Head Start and Early Head Start providers. | 50.5% |
| Providers with enrollment at least 1% but below 25% children receiving CCFA. | 28.4% |
| Providers who do not serve children receiving CCFA. | 21.1% |

**CCFA Codification** – The CCFA system was also codified through the FY 2025 budget. Outside sections set in statute the current program structure and outlined an expansion to the income-eligible program. The language increases the eligibility threshold for the income-eligible program from 50 percent of State Median Income (SMI) to 85 percent SMI starting in 2025 and outlines additional steps for expansion, up to 125 percent of SMI if additional funds are made available. The final FY 2025 budget also included $18 million in income surtax resources to support the expansion of the program to 85 percent SMI eligibility.

**Provider Rate Restructuring** – Over the past two years, EEC has taken steps to incorporate cost model calculations further into the CCFA system in order to bridge the gap between the true cost of care and market rates. In line with this goal, in FY 2024, EEC restructured the rate system for CCFA providers to bring rates closer to the cost of care through rate increases and a consolidation of rates to lessen regional inequities. The FY 2024 rate increase was supported through a $65 million investment in the FY 2024 budget. In FY 2025, $25 million was appropriated for new rate increases.

**Contract Re-Procurement** – In the fall of 2024, EEC completed a re-procurement of contracted child care providers for the first time in 15 years. New contracts went into effect on October 1, 2024, and awarded seats to providers serving children in the income-eligible program, children involved with DCF, and other priority CCFA populations like children experiencing homelessness or children with young parents. Ultimately due to increasing costs and availability of funding for the procurement, EEC was not able to expand access through this process and awarded essentially the same number of seats in total (~19,000) as in the previous contract. However, the new contracts do allow for greater flexibility for the agency to redistribute underutilized slots over time and for procurement to re-open annually if additional funding is made available. EEC also built in greater quality measures into the contracts to ensure that children receiving care through a contracted slot receive the highest quality care possible.

**Early Education Task Force** – In January 2024, Governor Healey signed an executive order establishing an inter-agency task force on early education and care to ensure that Massachusetts leads the nation in early education and child care access, affordability, equity, and quality. The Task Force is co-chaired by the Secretary of the Executive Office of Education (EOE), the Secretary of the Executive Office of Economic Development (EOED), and the Secretary of the Executive Office of Labor and Workforce Development (EOLWD). The Task Force has five priorities outlined below and is expected to publish a Year 1 Report in early 2025. The work of the Task Force will likely shape the administration's early education priorities through the next year and budget cycle.

Early Education Task Force Priorities:

1. Survey the practices of other states and countries.
2. Assess how better coordination among state agencies could support families in accessing early education and child care.
3. Identify resources for building capacity and increasing affordability in the early education and child care system.
4. Identify strategies to recruit, train, upskill, and retain members of the early education and child care workforce.
5. Review existing assets to identify potential locations to establish center-based early education and child care programs.

## Key Policy Questions for the 2025-2026 Legislative Session

***How should the Legislature ensure sustainability of EEC funding with uncertain revenue projections and potential challenges at the federal level?***

Over the last five years, funding for EEC has increased by $858 million, or 125 percent. As outlined above, in FY 2025, total funding for EEC is derived from multiple sources including the income surtax and two early education trust funds with limited reserves. As lawmakers prepare for the FY 2026 budget development process, during which they will face greater fiscal constraints and limited revenue growth, maintaining and sustainably increasing support for EEC will be a major challenge. Additionally, policy decisions at the federal level could have significant impacts on many areas of the budget, including in early education.

While the state has taken on a greater percentage of EEC's budget in recent years, federal investment in CCFA and Head Start, in particular, is vital and it is unlikely that the state will be in a position to make up the gap if federal funding is cut significantly. As shown above, federal funding through the CCDF exceeded $250 million in FY 2024 and remains $60 million higher than pre-pandemic levels. Building up reserves and maintaining a strategy for the use of income surtax revenue to support C3 will be important going forward into an uncertain revenue and political picture.

It is also critical that EEC effectively and efficiently utilizes current resources within appropriated levels so that they are able to plan ahead and avoid program deficiencies. The department is taking steps this year to build sustainability into C3 specifically through new measures that will make grants more predictable for providers and for EEC to administer throughout the year. However, with the requirement beginning in FY 2026 that providers receiving C3 must agree to serve children receiving CCFA, grant amounts and participation will likely shift, and the question will be whether the current C3 funding level and program structure will be able to adapt well to these changes. It is important that EEC is able to evolve C3 over time and allow the grant program to remain available and useful for various program types.

***What are the challenges facing further CCFA system reform and where are the opportunities for increasing the capacity of CCFA?***

In the past few years much has been done to enhance the structure and quality of CCFA, but there is more work to do. There is a continued need for simplification of administrative tasks through the implementation of improved technology and data systems. Effective technology and system organization would be incredibly beneficial for Child Care Resource & Referral (CCR&R) agencies and would allow program administrators to spend time more effectively centering families in the system. Ultimately, intentional funding and a focus on supporting and growing the early education workforce are also critical for the expansion of child care access as the system continues to face capacity issues across the state. Further information on CCFA reforms can be found in our recent report, Building Blocks: Status of Child Care Reform in Massachusetts and What Comes Next.

***What is the Legislature's role in supporting the growth and sustainability of the early education and care workforce?***

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The Legislature has funded several new programs in the past few years that are centered around the retention and growth of the early education workforce: from a pilot program to offer CCFA for educators' own child care to scholarship and loan forgiveness programs for educators. EEC is also currently working on an early education and care career ladder to help create a structure for career advancement for educators, and the department has also lifted up the unique needs of Family Child Care (FCC) providers as small business owners.

As more workforce programs and initiatives are considered, it is important to build further coordination opportunities between the field, higher education, workforce training programs, and EEC. An example of this is the existing Career Pathways program for early educators. Through Career Pathways, EEC works with and provides funding to the state's community colleges in Massachusetts to support early educator economic mobility and career goals. The program not only offers financial support to students pursuing further education in the field, but also provides academic support services to educators including tutoring and mentoring. In the FY 2025 budget, funding for Career Pathways was reduced while new scholarships for early educators and the state's free community college program were created. Educators in the sector argued against the cut due to the wraparound services the program provides and noted that the free community college program may not be accessible for all educators in the field. A continuous feedback loop between the early education field, EEC, the Legislature, and other stakeholders is critical for workforce programs to most effectively meet the diverse needs of the early education workforce, and it is important to remember that solutions are likely not one-size-fits-all.

## Related Research from the Massachusetts Taxpayers Foundation

### Child Care Legislation

- MTF Summary of the 2024 Early Education & Care Bill

### Analysis of C3 and CCFA

- Importance of C3 Continuation for the Commonwealth
- Building Blocks: Status of Child Care Reform in Massachusetts and What Comes Next

### Early Education in the State Budget

- FY 2025 Budget: Early Education and Care Funding
- FY 2025 Conference Committee Preview - Early Education

For more information on early education policy, reach out to MTF Researcher Victoria Bergeron at vbergeron@masstaxpayers.org.

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# EDUCATION ~ K-12 EDUCATION

During the last legislative session, policy discussions in the K-12 education space were dominated by three main topics: 1) continued implementation of the Student Opportunity Act; 2) local budget pressures impacting municipal contributions towards public education costs; and 3) a ballot initiative to remove the statewide standard for high school graduation in Massachusetts. In addition, the last session was notable for the implementation of the new income surtax, which had direct implications for state spending on K-12 education.

Each of these topics are likely to remain central during the 2025 – 2026 legislative session, and this preview offers a primer on both what took place during last session and the key policy questions facing lawmakers in the months ahead.

## Background & Policy Context

### Public School Financing in Massachusetts

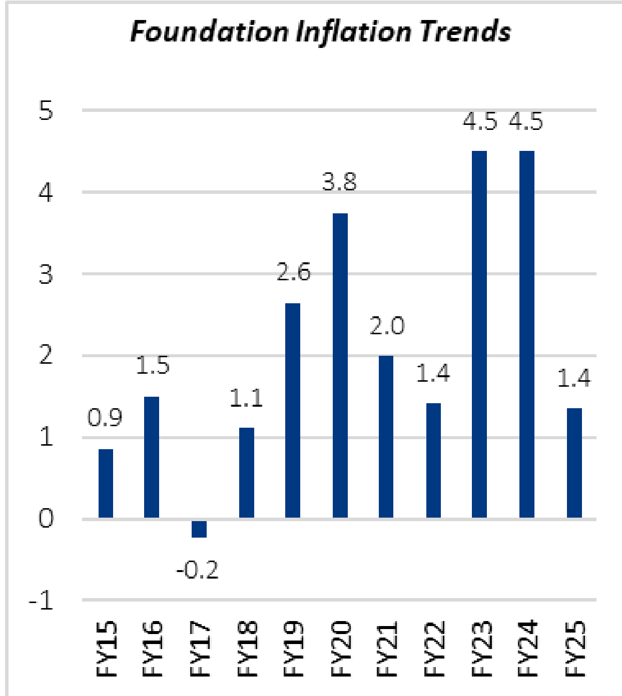
In Massachusetts, funding for public schools is constitutionally recognized as the shared responsibility of local municipalities and the state. Since 1993, the total amount of funding that is required to provide all students with an adequate and equitable education has been calculated by the 'foundation budget formula.' The foundation budget formula is calculated at the individual district and statewide level by multiplying student enrollment by per-pupil cost estimates across a range of educational spending categories and demographic factors. The cost of a district's foundation budget is then split between the municipality and the state based on local wealth factors like property values and income. The funding that a municipality is required to contribute towards its foundation budget is known as its 'required local contribution,' and the state support they receive is known as 'Chapter 70 state aid'.

Each year, the foundation budget formula is updated to reflect inflation and enrollment changes across school districts as of October 1st.[1] As further discussed below, since Fiscal Year (FY) 2022, the formula has also been updated annually according to the implementation schedule of the Student Opportunity Act.

The inflation factor applied to the per-pupil rates within the foundation budget formula is known as the 'foundation inflation index,' and as the Chapter 70 statute dictates, the index is the lesser of a calculation of state and local government inflation based on Bureau of Economic Analysis data or 4.5 percent.[2]

[1] Due to the timing of the state budget development process, the foundation enrollment figures used to calculate Chapter 70 state aid through the foundation budget formula are one year behind the actual school year.
[2] The per-pupil rates for employee benefits and fixed charges within the foundation budget formula are increased by a unique inflation rate, based on an enrollment-weighted, three-year average premium increase for Group Insurance Commission plans. In FY 2025, the inflation rate applied to employee benefits and fixed charges was calculated at 5.03 percent.

In FY 2023 and FY 2024, as actual state and local government inflation reached 7 and 8 percent, respectively, many questions were raised regarding the efficacy of the 4.5 percent cap on the index. These concerns were heightened by growing pressures on local budgets as municipalities managed the phase-out of pandemic-era aid programs and faced constraints on their abilities to raise local revenues.




In addition, declining student enrollment has exacerbated some of the challenges faced by municipalities, because low and declining student enrollment trends depress overall foundation budget and Chapter 70 aid growth. At its core, the foundation budget formula is an enrollment-based calculation, and between FY 2020 and FY 2023, statewide foundation enrollment decreased by over 30,000 students. While enrollment rebounded slightly in FY 2024 and FY 2025, it has yet to return to pre-pandemic levels. Across the state, 221 operating districts (69 percent) have seen their student enrollment number decrease compared to FY 2020.

During the 2023 – 2024 legislative session, these two factors: the divergence between the foundation inflation index and actual inflation, and the impacts of low and declining student enrollment growth dominated education finance policy discussions. They are likely to continue to be major areas of focus in the new legislative session; however, as policymakers consider taking action it will be important to remember that due to the unique mechanisms of the foundation budget formula, it can be challenging to make adjustments to the foundation budget formula that are sustainable over time and impact districts across the Commonwealth equitably and predictably.

## Student Opportunity Act

In November 2019, An Act Relative to Educational Opportunity for Students (Chapter 132 of the Acts of 2019) was signed into law. Better known as the Student Opportunity Act (SOA), the new law represented the first major reform to the calculation of the foundation budget in nearly 25 years.

The goals of the SOA were expansive, and the final bill included a range of education policy initiatives; from improving access to financial literacy curriculum to studying the unique financial challenges of rural school districts.

But above all else, the SOA aimed to dramatically increase the resources available for the highest need school districts across the state and create a data-driven accountability structure to accurately assess how these resources were being used to close persistent disparities in student achievement. Specifically, the new law overhauled the foundation budget formula to more accurately reflect the cost of providing all students with a high-quality education, including significant increases to the cost assumptions for low-income students, English learner students, employee health insurance, and mental health services for students.

To date, the Commonwealth has fully funded the first four years of the SOA, directing over $1.6 billion in new Chapter 70 aid to school districts across the state. Notably, nearly 74 percent ($1.2 billion) of the increased aid has been directed towards 61 districts, while the remaining 258 operating districts have seen their aid increase by a combined total of $422 million.

*Student Opportunity Act Implementation Schedule*

| Program | FY 2021 GAA | FY 2022 GAA | FY 2023 GAA | FY 2024 GAA | FY 2025 GAA |
|---|---|---|---|---|---|
| **Chapter 70 State Aid** | $5,283.7 | $5,503.3 | $5,988.5 | $6,584.8 | $6,864.9 |
| *Minimum Aid Supplement* | $0.0 | $0.00 | $9.69 | $7.9 | $37.0 |
| **Total State Aid** | **$5,283.7** | **$5,503.3** | **$5,998.2** | **$6,592.6** | **$6,901.9** |
| *$ Increase v. Prior Year* | *$107.6* | *$219.6* | *$494.9* | *$594.4* | *$309.3* |
| *% Increase v. Prior Year* | *2.1%* | *4.2%* | *9.0%* | *9.9%* | *4.7%* |
| **SOA Implementation Schedule** | Base Year | Year 1 | Year 2 | Year 3 | Year 4 |

For many of those 258 operating districts, the increases in state aid that they have received have been the result of 'minimum aid,' which guarantees districts an increase to their Chapter 70 state aid at least equal to their foundation enrollment multiplied by a per-pupil amount. In the FY 2024 budget, the per-pupil minimum aid amount was set at $60 and 124 districts benefitted. In FY 2025, minimum aid was increased to $104 and 229 districts across the state are designated as 'minimum aid communities.'

| Fiscal Year | # of Minimum Aid Communities |
|---|---|
| FY 2020 | 182 |
| FY 2021 | 0 |
| FY 2022 | 249 |
| FY 2023 | 142 |
| FY 2024 | 124 |
| FY 2025 | 229 |

## K-12 Income Surtax Investments

Outside of Chapter 70 state aid, public schools in Massachusetts receive state support through a variety of other reimbursement and discretionary grant programs funded through the state budget, including the Special Education Circuit Breaker Program, Charter Tuition Reimbursement, and Student Transportation Reimbursement programs. For additional information on each of these programs, check out MTF's earlier budget deep dive on K-12 Education.

In addition to these programs, state investment in K-12 education and public schools during the 2023 – 2024 legislative session was considerably impacted by the implementation of the income surtax.[3]

The income surtax, which applies an additional four percent income tax on individuals whose income is $1 million or more, went into effect in January 2023; and the revenues collected via the surtax are constitutionally obligated towards education and transportation. During the FY 2024 budget process, lawmakers created a process to collect, track, and spend these resources; and the FY 2024 and FY 2025 budgets cumulatively appropriated $2.3 million in surtax revenue towards education and transportation initiatives.

*K-12 Income Surtax Investments, FY 2024 & FY 2025*

| Program Name | FY 2024 | FY 2025 |
|---|---|---|
| **New Programs** | | |
| Green School Works | $50 | $10 |
| MSBA Capital Supports | $100 | $0 |
| Mental Health Wrap-around Supports | $0 | $5 |
| Early Literacy Initiative | $0 | $20 |
| **Existing Programs** | | |
| Early College and Innovation Pathways | $5 | $3 |
| Universal School Meals | $69 | $170 |
| Supplemental Minimum Aid | $0 | $37 |
| **Total Surtax Spending** | **$224** | **$245** |

Of that total, $469 million (20 percent) has been dedicated towards K-12 education; and investments to date can largely be grouped into two categories: new programs and existing state commitments. New programs supported by income surtax revenue over the last two years include a Green School Works program, a new MSBA Capital Supports program, an Early Literacy initiative to support evidence-based literacy instruction in pre-kindergarten through Grade 3, and Mental Health Wrap Around Services and Supports. Existing state programs that have been partially or fully supported by income surtax revenue include Early College and Innovation Pathways, Universal School Meals, and the minimum aid component of Chapter 70 state aid.

Heading into the 2025 – 2026 legislative session, one of the key decisions facing policymakers will be how to develop a long-term strategy for income surtax investments in the K-12 education sector.

## Competency Determination Ballot Question

In November, Massachusetts voters approved a ballot question to eliminate the statewide standard for high school graduation, known as the competency determination and achieved by earning a passing score on the Grade 10 Massachusetts Comprehensive Assistance System (MCAS) tests in English, Math, and Science.

[3] The income surtax imposes an additional 4 percent income tax on individuals whose income is $1 million or greater. This surtax is in addition to the 5 percent flat income tax rate in Massachusetts.

The ballot question did not propose an alternative statewide standard for graduation, and so creates a patchwork of more than 300 different local standards across school districts. It's also important to note that this question does not eliminate the MCAS test and students in Massachusetts will still be required to take the MCAS in Grades 3 – 8, and Grade 10.

Additional information regarding this ballot question and the competency determination standard can be found in MTF's brief answering questions about the prior standard and the potential impact of the ballot question.

The Commonwealth's highest ranking elected officials and education policy leaders opposed the measure prior to Election Day; including Governor Maura Healey, House Speaker Ron Mariano, Senate President Karen Spilka, and Secretary of Education Patrick Tutwiler.

Considering this opposition, the confusion that the immediate change to the new system creates, and the dire educational consequences of eliminating the only consistent measure of student readiness for high school graduation in the state, policy action pertaining to a statewide standard during the 2025 – 2026 legislative session appears likely.

## Key Actions in the 2023-2024 Legislative Session

**Student Opportunity Act Implementation** – The FY 2024 and FY 2025 state budgets fully funded years 3 and 4 of SOA implementation, and the state remains on track to complete the phase-in schedule for the new law by FY 2027. To date, the SOA has increased Chapter 70 state aid by over $1.6 billion, with nearly $1.2 billion of that funding being directed towards the highest-need districts across the state. In recognition of the fact that not all districts have seen significant increases in state aid under the reforms of the SOA, and in acknowledgement of the local budget pressures facing municipalities, during the last two budget cycles policymakers have also approved large increases to per-pupil minimum aid. In the FY 2024 budget, minimum aid was set at $60; and in FY 2025 it was increased to $104.

**MCAS Ballot Question** – On November 5th, Massachusetts voters approved a ballot initiative that eliminated the statewide standard for high school graduation, known as the competency determination and achieved by earning a passing score on the Grade 10 MCAS tests in Math, English, and Science. The ballot initiative did not eliminate the MCAS; students remain required to take the MCAS test in Grades 3 through 8, and Grade 10 as required by federal law.

In the wake of the ballot initiative's passage, critical questions remain regarding its immediate impact on students preparing to graduate with the Class of 2025 and its long-term effects on maintaining a consistent and equitable standard for high school graduation across more than 300 different school districts. With the elimination of the statewide standard, Massachusetts becomes one of only a few other states across the country that does not maintain a uniform set of requirements for high school graduation.

**Income Surtax Investments in K-12 Education** – The FY 2024 and FY 2025 budgets were the first to include spending supported by income surtax revenue. Income surtax revenues are constitutionally obligated to fund investments in education and transportation; and cumulatively $2.3 billion has been appropriated towards both new and existing state programs in these areas. Across both budgets, $469 million of income surtax revenue has been directed towards K-12 education, equal to approximately 20 percent of total surtax spending. While the FY 2024 budget primarily used surtax revenues to support new programs, like Green School Works and MSBA Capital Supports, the FY 2025 budget was notable for using these resources to maintain existing state programs, like Universal School Meals and supplemental minimum aid.

**Permanent Universal School Meals** – During the pandemic, the federal government allowed all schools to provide universal free meals at no additional cost to the state. In FY 2023, after the federal waiver expired, the Legislature used state funds to continue the program for an additional year. The FY 2024 budget similarly continued funding for Universal School Meals, using both General Fund and income surtax revenues, and included an outside policy section making the program permanent in statute. In FY 2025, the entirety of the Universal School Meals program was funded using income surtax revenues, totaling $170 million.

## Key Policy Questions for the 2025-2026 Legislative Session

***How might the state's fiscal position in FY 2026 and beyond impact implementation of the Student Opportunity Act?***

Heading into the FY 2026 budget development process, state budget writers face a major challenge: how do you support standard cost increases and sustain major new investments during a time of limited revenue growth? In FY 2026, as in FY 2025, budget writers may likely be building their budget proposals with fewer consensus tax revenues available to support budgeted spending than in the year before.

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At the same time, they face significant expenses related to new programs and investments that have been incorporated into the operating budget, including implementation of the Student Opportunity Act, full-year funding of C3 Childcare Operational Grants, Universal Schools Meals, and Free Community College. Over the first four years of SOA implementation, funding for Chapter 70 state aid increased by $1.6 billion – an average annual increase of 7 percent. There are few other programs in the state budget that have grown at the same rate, and similar increases are anticipated in the final two years of implementation (FY 2026 and FY 2027). Consider these cost increases alongside the other spending pressures faced by the state, and it is clear that difficult choices will need to be made to live within available resources.  As those choices relate to SOA implementation, there are several options policymakers may consider, including covering a larger share of new SOA implementation costs with surtax revenue or adjusting the SOA implementation schedule. While the dedication of surtax revenue towards increased Chapter 70 costs may limit the availability of those resources for other types of investments, it would allow lawmakers to continue making meaningful progress towards full implementation of the SOA during challenging fiscal times. Additionally, the precedent for using surtax revenues to cover Chapter 70 costs was already established in the FY 2025 GAA, when $37 million of surtax revenue was used to increase minimum aid to $104 per-pupil.

***Will the administration and Legislature take action to establish a statewide standard for high school graduation?***

Prior to the passage of the ballot initiative that removed the statewide standard for high school graduation, the Commonwealth's highest ranking elected officials and education policy leaders stated their opposition to the measure; including Governor Maura Healey, House Speaker Ron Mariano, Senate President Karen Spilka, and Secretary of Education Patrick Tutwiler. This opposition, combined with the confusion that the measure imposes on students and school districts, increases the likelihood that legislative action could be taken to ensure that all students graduating from high school in Massachusetts are held to a consistent, uniform, and equitable standard.

As next steps are considered, it is essential that policymakers agree on the following principles:

1. Voters in Massachusetts made clear that we need a new approach to our standards for high school graduation.

2. The immediate priority is to ensure that students in the Class of 2025 understand how this new measure impacts their plans to graduate, and to minimize disruption for students and families.

3. Massachusetts must maintain its status as a leader in public education, and all students – regardless of their zip code – deserve to be held to the same high-quality, uniform, and equitable standard for student readiness and success.

***What long-term strategies should policymakers consider when planning for K-12 income surtax investments in FY 2026 and beyond?***

As described in the MTF's Legislative Session Preview: General Budget & Fiscal Update, heading into the 2025 – 2026 legislative session, policymakers will need to address two primary questions related to income surtax investments. First, how will new income surtax revenue be distributed in the operating budget? And second, how will excess surtax revenues currently held in the Education and Transportation Innovation and Capital Fund be appropriated for one-time and capital-related projects?

In the K-12 space, the first question carries the greater importance because the most impactful education-related investments are included in the state's operating budget. As lawmakers consider how to maximize the impact of surtax revenues in support of K-12 education, they must decide how these resources can be divided between existing state programs with increasing costs and new programs that address emerging needs. Given the substantial new costs the state faces related to implementation of the Student Opportunity Act and the permanent continuation of Universal School Meals, it is appropriate to use additional surtax revenues for these programs. And in fact, during a time of limited revenue growth, shifting a greater share of program costs onto the surtax may help to sustain these investments in the operating budget. To the extent that there are surtax revenues available to support new investments, opportunities that maximize the long-term impact of a dedicated revenue stream should be prioritized. For example, in the transportation sector, policymakers approved a $250 million annual transfer of surtax revenue to the Commonwealth Transportation Fund, which unlocks more than $1 billion in additional borrowing capacity for transportation-related capital projects.

To the second question, the Education and Transportation Innovation and Capital Fund offers policymakers an unique opportunity to deploy surtax revenues  in support of education-related capital needs. One potential use for these funds could be new and innovative investments through the School Building Authority (SBA), which oversees the construction and renovation of school buildings across the state.

***Is it time to revisit the municipal contribution side of the Foundation Budget formula?***

The SOA was an historic overhaul of how the foundation budget formula estimates the actual cost of providing all students with a high-quality education. However, the reforms of the new law, combined with the pandemic-induced impacts of high inflation and declining student enrollment, have also had significant effects on the local share of that cost. As Chapter 70 state aid increases continue to impact a small subset of districts educating the highest-need students, more and more middle and high-income districts will experience increased local spending requirements that do not correlate with their ability to pay. At the same time, rural school districts are facing unique fiscal challenges. In the 2025 – 2026 legislative session, a priority for policymakers should be to better understand these challenges and how the foundation budget formula can be adjusted to make municipal contributions more equitable.

**Related Research from the Massachusetts Taxpayers Foundation**

- FY 2025 Budget Deep Dive: Local Aid and K-12 Education Funding
- Understanding the Competency Determination Initiative Petition

**Upcoming Research from the Massachusetts Taxpayers Foundation**

- Student Opportunity Act Progress Update - In 2025, MTF will publish original research that will serve as a progress report on Student Opportunity Act implementation between FY 2022 and FY 2024. The project will include in-depth analysis of the funding that has been distributed to districts, the evidence-based practices that districts have identified to close achievement gaps, and the metrics that have been proposed to measure student success.

For more information on K-12 policy and financing, reach out to MTF Research Director Meaghan Callahan at mcallahan@masstaxpayers.org

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# HEALTHCARE

Throughout the 2023 – 2024 legislative session, discussions regarding health care policy and funding centered around several major topics: 1) the end of the pandemic-era federal Public Health Emergency (PHE) and the continuous coverage mandate, and the implications for MassHealth spending and enrollment; 2) legislative proposals designed to control drug costs and increase health system oversight; and 3) the state response to the Steward Health Care crisis. In addition, a heightened focus on improving health equity outcomes and expanding access to behavioral health care led to a series of administrative, legislative, and funding actions.

Looking forward to the 2025 – 2026 legislative session, it's important to review the policy context and major actions taken last session. Each of the topics listed above will have significant implications on health care policy development over the next two years. At the same time, the new Presidential administration could profoundly affect the state/federal health care partnership. Legislative leaders and the Healey administration will have to consider these issues as they develop their policy priorities related to health care.

This health care preview establishes the larger health care system policy background, summarizes key policy actions from the previous legislative session, and poses several questions that policymakers will need to address this session.

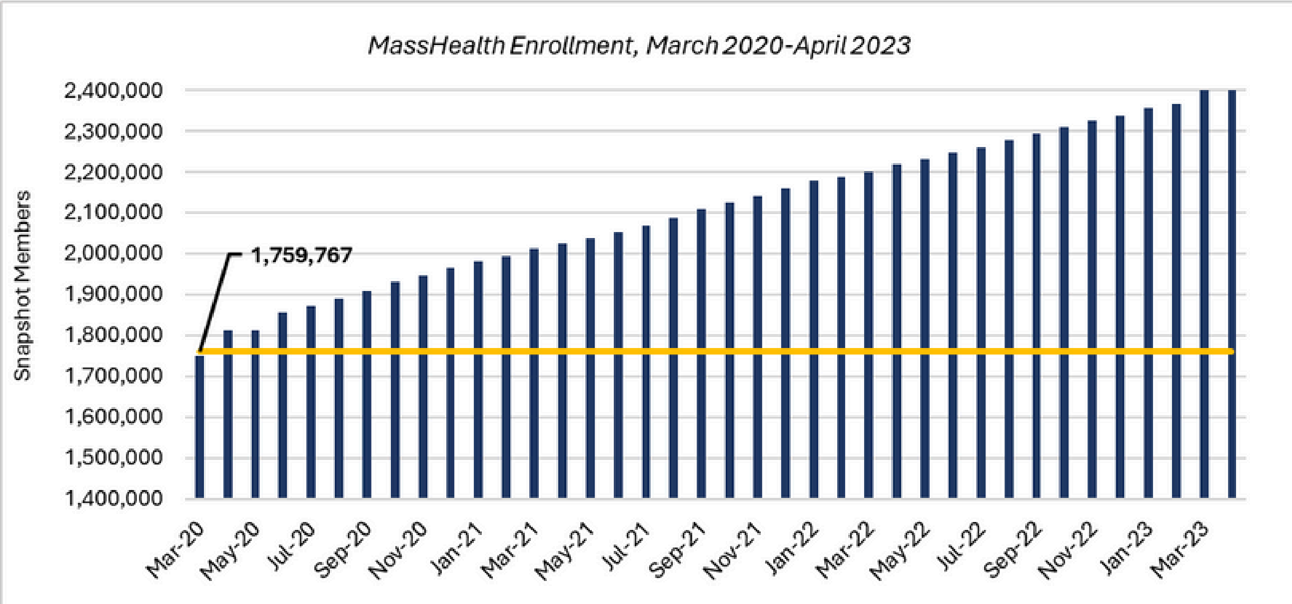
## Background & Policy Context

### The End of the Federal Public Health Emergency & Continuous Coverage

In March 2020, the federal government declared a public health emergency in response to the COVID-19 pandemic. At the same time, federal legislation (the Families First Coronavirus Response Act or FFCRA) made several temporary Medicaid changes that had a profound impact on the state's MassHealth program. The FFCRA provided states with an additional 6.2 percentage points in federal reimbursements in exchange for implementing a "continuous coverage" policy.[1] Continuous coverage, in this case, prohibited states from removing Medicaid enrollees from coverage during the duration of the PHE unless they voluntarily withdrew, moved out of state, or passed away.

For Massachusetts, the continuous coverage mandate had two major effects: an increase in federal reimbursement for each dollar spent on the MassHealth program, and a significant increase in MassHealth enrollment. During the PHE, Massachusetts received approximately $1 billion in enhanced federal revenue each year, and MassHealth enrollment skyrocketed to 2.4 million individuals, an increase of 659K from the pre-pandemic enrollment level of 1.7 million (38 percent).

[1] The majority of state Medicaid spending is reimbursable from the federal government at a rate of 50 percent. During the pandemic, the additional 6.2 percentage points of reimbursement resulted in most spending being eligible for 56.2 percent reimbursement.




Heading into the 2023 – 2024 session, one of the most challenging health care policy and finance challenges was the unwinding of these COVID-era policies. Beginning in April 2023, the state was required to restart its normal redeterminations process and reassess eligibility for more than 2 million MassHealth enrollees over the course of 12 months. At the same time, between April and December 2023, the enhanced federal revenue rates were incrementally phased-out, returning to the standard reimbursement rate of 50 percent for most state Medicaid spending in January 2024.

*Phase-Down Schedule for Enhanced Federal Reimbursement in 2023*

| Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|
| | 5% | | | 2.5% | | | 1.5% | |

The redeterminations process, its results, and the budget implications of the loss of enhanced federal reimbursements loomed over health care and budget policy in 2023 and 2024, and as discussed below, greatly impacted the MassHealth spending proposals in the FY 2024 and FY 2025 budgets.

For an in-depth review of MassHealth enrollment and funding during the pandemic, as well as the impacts of the federal PHE and continuous coverage, read MTF's report, MassHealth Enrollment Trends: The End of Continuous Coverage & Redetermination.

## Increased Oversight for Pharmaceuticals and Healthcare Costs

Massachusetts has long been a leader in healthcare reform, and has succeeded in achieving nearly universal healthcare coverage among residents.[2] As a result, legislative efforts in recent years have focused on improvements to the system that would lower costs, improve access to care, and reduce disparities in health outcomes among minority populations.

In November 2023, the Senate passed *An Act related to pharmaceutical access, costs, and transparency ("PACT" Act)*. This was the third time that the Senate acted on a version of this legislation, and major themes of the bill included:

- Increased oversight of pharmaceutical manufacturers, pharmacy benefit managers (PBMs), and drug prices by the Health Policy Commission;
- New licensing requirements for PBMs, including increased reporting to CHIA and the Division of Insurance; and
- Expanded access to medications and treatment by requiring insurance providers, including MassHealth and Group Insurance Commission plans, to cover one name brand and one generic for three chronic conditions (diabetes, asthma, and heart conditions).

In May 2024, the House passed *An Act enhancing the market review process*. This bill was a much-expanded version of legislation engrossed by the House during the 2021 – 2022 legislative session, focusing on several major elements:

- Created a new Division of Health Insurance separate from the current Division of Insurance, to oversee health insurance carriers and approve rates;
- Overhauled the existing health care benchmark process, replacing the current annual cost benchmark with a three-year benchmark cycle;
- Expanded the Health Policy Commission's material change notification process, which conducts impact reviews of proposed health system changes; and
- Reformed the state's Determination of Need process, used by the Department of Public Health, to approve provider operations changes.

Ultimately, both branches acted on their own versions of these two bills. While the bills were sent to a Conference Committee, formal sessions ended in July without compromises emerging. On December 30, 2024, one day before the end of the legislative session, conferees announced agreements for both bills.

[2] According to the 2023 Massachusetts Health Insurance Survey conducted by the Center for Health Information and Analysis (CHIA), the rate of uninsured individuals in Massachusetts in 2023 was 1.7 percent. https://www.chiamass.gov/assets/docs/r/survey/mhis-2023/MHIS-2023-02-Health-Insurance-Coverage-and-Uninsurance.pdf

While many of the major themes and policy proposals in the two bills remained intact, there were several notable provisions that were amended during conference.

Pharmaceutical Access, Cost and Transparency - The final version of the PACT Act maintained proposals to cap the costs of copays for a subset of treatments for three chronic conditions (one generic and one name brand medication each for diabetes, asthma and two prevalent heart conditions), create a licensure process for pharmacy benefit managers, and increase the oversight responsibilities of CHIA and the Health Policy Commission (HPC) as they relate to prescription drug costs and pharmaceutical access and affordability.

The final legislation did not include several major proposals put forward by the Senate and House. Not included are Senate proposals to give the HPC powers to review certain drugs and potentially require manufacturers to participate in drug access improvement plans. Similarly, a Senate proposal to implement a tax on pharmaceuticals that exceed certain cost thresholds is not included. The PBM licensure chapter included in the final bill is not as prescriptive in limiting PBM activities as the version proposed by the House.

Market Review and Oversight - The final version of the market review legislation updated the state's health care oversight system, modernizing several existing processes and creating new licensure requirements for urgent care centers and office-based surgical care centers. Major provisions in the bill include expanding the scope of CHIA and HPC oversight and data collection to include some aspects of private equity investment and provider interaction with health care real estate investment trusts. The bill also augments several existing oversight processes: the HPC's Market Review process, and the Department of Public Health Determination of Need and Essential Health Service closure processes. These process changes, along with the requirement that HPC create a state health resource plan are designed to better coordinate research and oversight and to account for additional considerations and factors in permitting approvals and policy planning.

As with pharmaceutical legislation, the final market review bill does not include a number of major House and Senate proposals. These include the House proposal to create a separate Division of Health Insurance, more significant changes to the makeup of the Health Policy Commission board, or any changes to the state's annual health cost growth benchmark. Many of the provisions that were included represent compromises from more far-reaching ideas included in original House and Senate legislation.

### Steward Health Care Crisis

In May 2024, Steward Health Care announced that it had filed for Chapter 11 bankruptcy; beginning a process through which the for-profit health system looked to restructure its debt and calling into question the future of eight hospitals in Massachusetts and the care of the residents they serve. The Healey administration worked through the bankruptcy process to facilitate the transfer of five hospitals (with 6 campuses) to new operators, while two hospitals (Nashoba and Carney) closed. The state has put forward an $800 million financial package to maintain the surviving hospitals and transition to new operators, but the ultimate cost to the state and the larger system, as well as the sustainability of the former Steward hospitals is still to be determined.

## Key Actions in the 2023-2024 Legislative Session

**End of Continuous Coverage & MassHealth Redeterminations** – As required by the federal government, the continuous coverage mandate ended in April 2023, and over the course of 12 months MassHealth was required to redetermine the eligibility of all members. Additionally, over the course of nine months (April 2023 – December 2023), the enhanced federal reimbursement that the state received in exchange for continuous coverage was phased-out. Prior to the beginning of the renewal process, the Healey administration estimated that 300K to 400K members would be removed from coverage by the end of the redeterminations process, with total MassHealth enrollment expected to level out at approximately 2 million. As of September 2024, MassHealth enrollment stood at 2.05 million members, still more than 15 percent higher than prior to the pandemic.

During the FY 2024 and FY 2025 budget development processes, the end of continuous coverage and MassHealth redeterminations had a major impact on MassHealth spending and underlying revenue assumptions. FY 2025 represented the first full fiscal year in which the state received no additional federal support for Medicaid spending. The end of enhanced federal reimbursement was estimated to cost the state budget approximately $820 million in lost revenue in FY 2025.

**Updated Assessments for Hospitals and Payors** – One of the most significant policy proposals included in the FY 2025 budget was related to ongoing assessments for both health care providers and insurance carriers. The final budget included a number of provisions to increase assessments on both groups and use the revenue generated to reinvest in the health care system and provide general budget relief.

- *Hospital Assessment* – The FY 2025 budget made significant changes to the hospital assessment and incentive payment structures put in place in 2022, as part of the state's most recently negotiated Medicaid 1115 waiver. The changes increased the total assessment by $604.1 million, to $1.484 billion in total, while also increasing required payments to providers through the Safety Net Provider Trust Fund, and provider incentive payments. If approved by the federal government, the new arrangement would increase provider support by more than the amount of the new assessment and provide $75 million in budget savings.

- *Insurance Carrier Assessment* – The FY 2025 budget also proposed consolidating six existing health insurer assessments into one and increasing the combined assessment by $246 million. Insurers would receive increased Managed Care Organization rates in return, potentially mitigating the financial impact of the higher assessment. The proposal is also expected to provide $57 million in revenue to the General Fund in FY 2025. Successful implementation of this assessment is predicated on federal approval and finalization of the carrier assessment and rate structure.

**Major Health Care Legislation** - On the final day of the legislative session, the House and Senate announced compromise agreements on two pieces of legislation related to drug costs and system oversight:

- *Drug Cost Legislation* – This legislation, concluded at the end of session, focused on proposals shared or similar in the House and Senate versions of the bill. This included incorporating pharmaceuticals more fully into HPC health care oversight hearings and CHIA data collection, creating a regulatory structure for pharmacy benefit managers (PBMs) and capping patient prices for commonly used medications for several chronic conditions.

- *Market Review & Oversight* – Completed in late December, along with pharmaceutical legislation, the final market review and oversight bill also stuck to proposals shared or similar in House and Senate versions. Notable elements of the final bill include: expanding the scope of HPC Market Impact Reviews, overhauling DPH's Determination of Need process, creating new licensure processes for urgent care and surgery centers, and attempting to measure, assess and control the impact of private equity investment in health care.

**Maternal Health Legislation** - On August 23, 2024, Governor Healey signed into law *An Act promoting access to midwifery care and out-of-hospital birth options*. Major topics of the bill include:

- Requiring MassHealth to cover doula and midwifery services;

- Creating a new grant program for non-profits or community-based health centers addressing mental health conditions for perinatal individuals; and

- Directing DPH to regulate freestanding birth centers and create minimum staffing standards.

## Key Policy Questions for the 2025-2026 Legislative Session

As the administration and Legislature create their policy agendas and platforms related to healthcare, they will have some key questions to consider.

***How will the Steward crisis unfold and what is the role for the public sector?***

As MTF has summarized, there are a number of moving parts to the financing plan to transition five Steward hospitals to new operators, with a significant fiscal impact in FY 2025. The current estimate for costs could increase as the purchase price for the St. Elizabeth's property is finalized and as additional transition or operating needs emerge. Managing that outlay will add to fiscal pressures in FY 2025 and likely in FY 2026.

At the same time, even after the completion of market oversight legislation at the end of 2024, it is possible that additional legislation will be considered in the new session to address the Steward situation specifically, as well as the larger issues that have been raised about how well the state's health care monitoring and compliance system identifies and addresses provider solvency crises in time for constructive action.

***What is the trend line for MassHealth cost growth and how will it affect the budget?***

Between FY 2021 and FY 2023, even as MassHealth enrollment skyrocketed, the net budget impact of the increased caseload was offset by more generous federal reimbursements. Enhanced reimbursements are no longer available and the state's enrollment is still well above pre-pandemic levels, while the acuity of MassHealth clients appears to be higher than forecasted at the start of the current fiscal year. Both of these factors will place increasing strain on the state budget. Combine changes to the enrollment size and composition with the potential for a less generous federal approach to Medicaid and continued health care cost pressures related to workforce and the fiscal picture for MassHealth in FY 2026 becomes very cloudy. Managing MassHealth cost growth to sustainable levels will be a major priority for budget-makers in the coming session.

***What is next for major health care legislation and will the Healey/Driscoll administration file major health care legislation?***

The completion of two major health care bills at the very end of 2024 makes the legislative path for health care policy in the new session less clear. Given that scaled down versions of both pharmaceutical and market review and oversight legislation are now effect, it is unclear how much appetite there will be to return to these topics in both the House and Senate in 2025.

One major factor in the future of health policy legislation is the role of the administration. The Healey/Driscoll administration did not put forward a legislative proposal or package advancing their health care priorities in the 2023 - 2024 session. Filing their road map in the current session would give a clearer sense of their long-term goals for the system and could provide a vehicle for the House and Senate to act on proposals that have previously been included in separate bills. An administration omnibus health care bill is not a silver bullet – the Baker/Polito administration filed a large scale health care bill in 2021 that did not lead to a major health care bill becoming law – but it would help set the health care policy agenda for the session to come.

***How will persisting behavioral healthcare workforce shortages be addressed this session?***

MTF has published research highlighting the impact of persistent behavioral health workforce shortages on pediatric and adult care. The total workforce has bounced back from pandemic lows, but shortages remain significant in key positions and among providers that serve areas of the most critical need. MTF highlighted several programs in the state that are already working and could be expanded to help those entering the field attain licensure more easily, provide financial incentives for serving needy populations, and upskilling workers already in the field to take on critical roles that also provide better pay.

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## Related Research from the Massachusetts Taxpayers Foundation

**MassHealth**

- MassHealth Budget Deep Dive
- MassHealth Redeterminations Report

**Healthcare Bill Summaries**

- Market Review Bill Summary
- PACT Act Bill Summary
- Estate Recovery Bill Summary

**Behavioral Health Investments**

- Massachusetts Pediatric Behavioral Health Chartbook

# TRANSPORTATION

During the 2023 – 2024 legislative session, progress was made to stabilize, maintain, and improve the Commonwealth's transportation system; but long-term operational, modernization, and financing challenges still exist. Positive developments in the recent session include the use of income surtax revenue to support increased investments across the transportation sector, as well as MBTA progress on its workforce development goals leading to service upgrades, the expansion of fare free pilot programs to all 13 Regional Transit Authorities (RTAs), and the successful pursuit of substantial federal commitments in funding for large scale projects like the Cape Cod Bridges and the I-90 Allston Interchange.

Speaking to some of the long-term financing challenges facing the sector, in early 2024, Governor Healey signed an executive order creating a new Transportation Funding Task Force (TFTF). Comprised of transportation policy leaders from the public and private sector, and chaired by the Secretaries for Transportation and Administration and Finance, the TFTF was directed to develop recommendations for a sustainable transportation finance plan. At the time of printing, the final report of the TFTF has not yet been released. MTF will make updates to this preview based on the report and recommendations of the task force, which will be published on our website.

Looking ahead to the 2025 – 2026 legislative session, it will be imperative to maintain the momentum behind important operational improvements, provide financial stability to the MBTA, and prepare for significant uncertainties regarding federal infrastructure funding. To prepare for the next two years, this preview provides the relevant background and policy context, reviews some of the key actions taken last session, and poses several questions for policymakers and the broader stakeholder community to consider.

## Background & Policy Context

### New Revenue Streams for Transportation

As discussed in MTF's Legislative Session Preview: General Budget & Fiscal Update, Massachusetts voters approved a new four percent income surtax in November 2022. The income surtax, which applies an additional four percent income tax on individuals whose income is $1 million or more, went into effect in January 2023; and the revenues collected via the surtax are constitutionally obligated towards education and transportation.

The FY 2024 and FY 2025 budgets cumulatively appropriated $2.3 billion in surtax revenue towards education and transportation initiatives; with $1 billion (43 percent) specifically targeted for transportation-related programs and projects. Specific investments are detailed below under Key Policy Actions, but at a high-level spending can be organized into four categories: the MBTA, the Department of Transportation (MassDOT), Regional Transit Authorities (RTAs), and Local Projects/Pilot Programs. The MBTA has received the greatest amount of investment, representing nearly 50 percent of all surtax spending for transportation over the last two fiscal years. Both MassDOT and RTAs have received approximately 20 percent of all surtax spending for transportation.

*FY 2024 & FY 2025 Transportation Surtax Spending*

| Category of Investment | FY 2024 | FY 2025 | Total Spending |
|---|---|---|---|
| *MBTA* | $206 | $261 | $466 |
| *MassDOT* | $75 | $123 | $198 |
| *RTAs* | $90 | $110 | $200 |
| *Local/Pilot Program* | $106 | $45 | $151 |
| **Total** | **$477** | **$539** | **$1,015** |

*$ in millions*

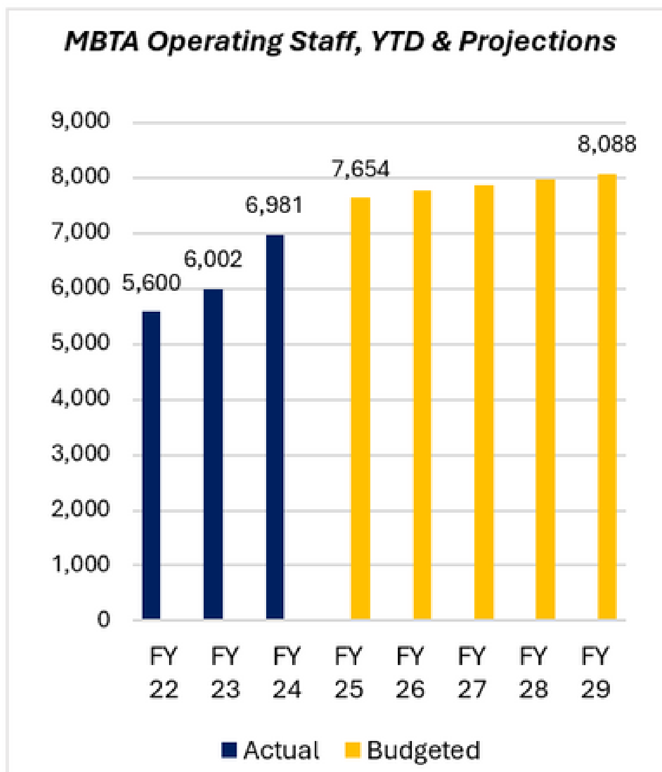
Included in this spending total, as well, is a strategic proposal that policymakers adopted as part of the FY 2025 General Appropriations Act (GAA) to permanently dedicate $250 million in surtax revenue towards the Commonwealth Transportation Fund (CTF). This CTF transfer has a number of benefits, including improving the predictability and reliability of future surtax revenues available for transportation. But it also achieves two important goals: 1) it unlocks at least $1 billion in potential borrowing capacity for future capital projects; and 2) it provides additional, predictable operational support for MassDOT and the MBTA during the current fiscal year and on an ongoing basis. This creative approach to maximizing the impact of surtax revenues for transportation was supported by MTF throughout the budget development process.

In addition to income surtax revenues, new and enhanced federal infrastructure grant programs have provided the Commonwealth with billions of dollars in support for critical transportation capital projects. As described in MTF's Session Preview: Capital Spending and Infrastructure, over the last three years, the federal government made unprecedented investments in transportation, climate resiliency, and emerging economic sector infrastructure through three pieces of legislation: the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS). Combined, these three bills included over $2 trillion in spending, nearly half of which was to be made available to states through competitive grant programs and formula allocations over the following five to ten years.

To date, Massachusetts has brought in approximately $3 billion in federal transportation infrastructure grants made possible through these bills including $1.7 billion for the replacement of the Cape Cod Bridges, $472 million for the North Station Draw Bridge, and $335 million for the I-90 Allston Multimodal project.[1] While securing each of these awards is a major accomplishment, the certainty of this future funding to the Commonwealth under the Trump administration is not guaranteed. There remains a significant amount of uncertainty regarding the future of federal infrastructure funding, and the state must be proactive to obligate and use resources to avoid any potential of federal claw backs.

## Improved Staffing and Service Upgrades

Heading into the 2023 – 2024 legislative session, one of the state's key transportation policy priorities was responding to a Federal Transit Administration (FTA) report that found that the MBTA needed to expand the size, training, and supervision of its workforce to operate, maintain, and deliver capital projects safely. As MTF reported on extensively, the agency's workforce was well short of the staffing needs identified in the FTA's special directives. The MBTA estimated that it needed to increase its personnel by 2,000 by the end of calendar year 2024 to meet its own staffing goals.




To meet staffing needs, the MBTA adopted a series of employment initiatives and financial incentives to increase hires and limit departures; and those initiatives have had an impact. Through June 2024, MBTA operating staff grew by 979; increasing the total at the authority to 6,981. While work remains to reach their long-term staffing goals, this progress appeared to have enabled improvements in service safety and delivery.

The MBTA announced the elimination of all subway slow zones at the end of 2024, a milestone that had not been accomplished in at least 20 years. New Red and Orange line cars are arriving on a revised schedule, and the new automatic fare collection system is operational. Each of these achievements is connected to the authority's dedication to developing and expanding its workforce.

[1] List of Major Federal Fund Awards to Massachusetts. https://www.mass.gov/news/list-of-major-federal-funds-awards-to-massachusetts

Outside of the MBTA, increased funding has also enabled service upgrades at RTAs. In FY 2024 and FY 2025, surtax revenues have been dedicated towards the implementation of fare-free pilot programs. In FY 2024, a $15 million appropriation supported fare-free RTA service across the state; and in FY 2025, that appropriation was increased to $30 million to support a full year of fare-free service.

### Aging Infrastructure and New Services Exceed Available Resources

Though notable progress was made during the last session to diversify and increase the revenue streams available for transportation, and important service upgrades were implemented, the state's transportation system continues to suffer from decades of underfunding and underinvestment. These underlying financial challenges must be addressed before the state's transportation system can support full economic recoveries in the City of Boston and in cities and towns throughout the state.

The Transportation Finance Task Force (TFTF) is expected to release its report on the future of transportation financing in Massachusetts in early 2025, and its work will likely inform future action. Consistent with prior research, and as a member of the task force, MTF has recommended that in the near term the state maximize its utilization of surtax revenues to address multiple years of the MBTA's operating deficit and provide predictable and increased operating and capital support for all aspects of the state's transportation system. In order to do this, MTF has recommended the TFTF call for a 50/50 split between education and transportation priorities supported through the surtax. MTF recommended this commitment as a way to provide more funding certainty to the transportation sector and to provide policymakers with a better ability to make long-term funding plans.

## Key Actions in the 2023-2024 Legislative Session

Three policy actions – all focused on resources – drove most of the focus on transportation in 2023 and 2024: the collection and distribution of income surtax revenues, the state's ability to compete for federal transportation infrastructure grants, and the ongoing work of the Governor's Transportation Funding Task Force.

**Surtax Spending on Transportation** – The FY 2024 and FY 2025 budgets were the first to include spending supported by income surtax revenue. Income surtax revenues are constitutionally obligated to fund investments in education and transportation; and a combined $2.3 billion has been appropriated towards both new and existing state programs. As shown above, $1 billion in surtax funds have been appropriated for transportation; approximately 43 percent of all surtax spending to date. Specific transportation-related investments included:

- In the FY 2024 GAA:
  - $180 million for capital improvement projects at the MBTA.
  - $100 million for supplemental Chapter 90 aid for roads and bridges.
  - $90 million for Regional Transit Authorities; increased to $110 million in FY 2025.

- In the FY 2025 GAA:
  - $250 million for a permanent transfer to the Commonwealth Transportation Fund, increasing the state's borrowing capacity by over $1 billion over the next five years.
  - $126 million for a variety of MBTA priorities, including capital investments, means-tested fares, a workforce and safety reserve, and the MBTA workforce academy.

Additionally, FY 2024 surtax revenues have been certified at $2.46 billion, or $1.46 billion above the surtax spending cap established for the operating budget. This means that approximately $1 billion will be deposited into the Innovation and Capital Fund for one-time investments in education and transportation. As legislators grapple with an MBTA budget shortfall of as much as $700 million in FY 2026, they should consider the important role of surtax revenues to address looming fiscal challenges in transportation.

**Federal Funding Update** – To date, Massachusetts has received approximately $3 billion in federal infrastructure grants for key transportation capital projects; including the Cape Cod Bridges ($1.7 billion), the North Station Draw One Bridge ($472 million), and the I-90 Allston Multimodal Project ($335 million). These grants have also enabled early actions for the West-East Rail project ($108 million), and improvements to municipal roadway safety ($77 million).

But winning $3 billion in grant awards comes with a cost – guaranteed state matching funds of at least $600 million. Fortunately, in October 2023, policymakers adopted a proposal that leverages interest earned on the Stabilization Fund to support state matching requirements. As discussed earlier in the brief, while the future of federal funding opportunities approved under the Biden administration is now uncertain, policymakers in Massachusetts should maintain the structure established by this legislation. Stabilization Fund interest is a unique resource that can be used in an innovative way to benefit the short and long-term capital spending priorities of the state.

Since the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) may well be the last opportunity to secure significant federal transportation funds for years to come, ongoing success in grant awards will be critically important. In addition to identifying state matching revenues, it is also critical to have 'shovel ready' projects to submit, meaning they have started the design and permitting process.

**Sustainable Resources After the Transportation Funding Task Force's Report** - The Governor established the Transportation Funding Task Force in early 2024 to "examine the state's transportation system and develop recommendations for a long-term, sustainable transportation finance plan that can safely and reliably support road, rail and transit systems throughout our state."

After a year of meetings and deliberations, the task force is expected to release its findings early in 2025. Following that release, lawmakers, policy organizations and advocates should have a clearer idea of what's needed to fix the roads, rails, and transit systems and what various resource options should be considered.

The answers will not come quickly and legislative agreement as to how to fully fund transportation with sustainable resources will take time. In the meantime, building an agreement on transportation needs and priorities, timelines, revenue sources, and reporting metrics should start early in 2025 to maintain the commitment and momentum of the task force. Leadership and endurance will be critical to success.

## Key Policy Questions for the 2025-2026 Legislative Session

***How will the state address its immediate transportation funding needs?***

Dozens of reports have identified sizeable funding gaps in the state's existing transportation system, and dozens more have proposed transportation service enhancements with no identified funding source. While resource and revenue challenges impact every element of the state's transportation network, these problems are particularly acute for the MBTA.

On the operating side, the MBTA faces an FY 2026 budget shortfall of at least $700 million, which is projected to grow to nearly $900 million by FY 2029. Between FY 2020 and FY 2025, operating budget gaps were solved using one-time federal funds and MBTA reserves, but now those resources are nearly exhausted. MTF has put forward two recommendations for addressing the state's immediate transportation funding needs:

1. First, the state should act quickly to finalize MBTA plans to close the operating gaps for at least two years. This multi-year approach should be incorporated in the TFTF recommendations and would provide an immediate place for lawmakers to make a difference in the new session.

2. Second, the state should create a 50 percent funding commitment of surtax revenues for transportation. In the near term, this predictable source of revenue will help address operating deficits in areas other than the MBTA and augment progress on the capital budget.

Once the Transportation Funding Task Force has completed its work, it should provide lawmakers with greater clarity of the needs and priorities across the transportation system. While the need for patchwork funding remains – particularly for the MBTA this fiscal year and next – the state must re-think how it pays to maintain and upgrade a transportation network critical to the state's future.

***How will the state confront long-term financial and capacity challenges to meet its transportation goals?***

The state's ability to repair, upgrade, and expand its transportation system will not only be constrained by limited resources, but also limited staff capacity. Two primary hurdles to completing key infrastructure improvement projects are: 1) constraints on capital spending, and 2) preventing prolonged project delivery, while at the same time minimizing roadway traffic flows and transit service disruptions.

Constraints on capital spending – many of which are intended to serve as responsible fiscal controls – create challenges for the MBTA in addressing its state of good repair backlog. For example, the MBTA has not exceeded $2 billion in annual capital spending, despite stated goals in several capital investment plans. Yet, maintaining the current system while eliminating a $24 billion backlog requires annual capital spending well north of $3 billion annually – a daunting leap.

At the same time, limited staff capacity makes managing multiple infrastructure improvement projects in a timely manner nearly impossible without significant service disruptions. Consider this: the state currently has two concurrent and complex multi-year projects – the Sagamore Bridge replacement and the I-90 Allston Interchange – which will require an incredible amount of financial and staff resources. And recently, MassDOT identified that nearly 94 percent of its bridges are in need of repair. In fact, MassDOT ranks 6th nationally for the percent of structurally deficient bridge deck area (slightly better than its 4th place ranking in 2023). Because of the demands of large scale projects, MassDOT may have to postpone repairs to many of its structurally deficient bridges.

Over the next few years, transit riders and drivers will inevitably encounter significant service disruptions as financial and capacity challenges impact the progress of capital projects; and further MBTA service interruptions and worsening traffic conditions along the MassPike could strain Boston's economy and vibrancy. As policymakers consider the long-term funding strategies for meeting our infrastructure investment goals, they will also have to balance how to most effectively and efficiently utilize its workforce.

***What do the implications of climate change mean for our transportation system?***

The Commonwealth maintains billions in transportation assets that are critical for our population to travel to work and to live their lives. These assets are all at risk, to some extent, from the increasing likelihood of extreme weather. Reducing those risks and building assets with climate change in mind has to be front and center in transportation capital planning at the MBTA, MassDOT and around the state. Hurricane Helene's recent devastation provides a stark example of the immediate and long-term risks posed to road and transit systems by thousand year weather events that are now occurring much more frequently.

As the state considers both environmental and transportation capital spending bills in the upcoming session, they will need to demonstrate a strategy for dedicating funds to weather resilience and ensuring that new projects are developed in a way that accounts for the impacts of natural disaster.

At the same time, our efforts to meet the Commonwealth's climate goals have direct implications on our transportation financing system. Gas taxes will provide approximately $730 million towards our roadways in FY 2025, but that number is down from the FY 2019 budget. As drivers increasingly shift to electric vehicles, gas tax revenues will continue to decline, and with them, the largest source of revenue generated by road users. Ultimately, the state will need to replace lost gas tax revenue; the next step is for policymakers to consider which ideas are the most viable, sustainable, and fair.

**Related Research from the Massachusetts Taxpayers Foundation**

- The Looming Fiscal Fiasco for the MBTA
- Ticket to Transformation? Evaluating the MBTA's Efforts to Bolster its Workforce
- Fiscal Year 2025 Budget: Transportation Funding
- The Path to a Safe Reliable Transit System Just Got a Lot Longer
- Capitalizing on Federal Funding Opportunities
- Labor Shortages Raise Doubts About MBTA's Capabilities
- MTF 2023-2024 Session Preview: The MBTA

# WORKFORCE & ECONOMIC DEVELOPMENT

The future of the state's economy and its overall competitiveness will continue to be a foundational policy theme heading into the 2025 – 2026 legislative session. While competitiveness is affected by myriad policy areas, workforce and economic development policy will be central to efforts to ensure that Massachusetts attracts people and investment and allows its residents to prosper.

In 2024, MTF released its inaugural Competitiveness Index Report, which provided a look at 26 different metrics that speak to the fundamental factors affecting Massachusetts' long-term outlook. While the Index provided many key takeaways, a few broad themes emerged that have policy implications for the 2025 - 2026 session. To remain competitive, it is apparent that Massachusetts must:

- Build and support a diverse and skilled workforce positioned to succeed in mature and emerging sectors;
- Maintain the state's historic strengths in sectors that rely on our highly educated population and our longstanding leadership in innovation; and
- Reduce cost gaps for families and businesses between Massachusetts and other states.

Workforce and economic development policy will be front and center as the state looks to accomplish these goals and improve the state's overall competitiveness. This preview provides a survey of major workforce and economic development policy actions over the past two years and poses key questions that policymakers will need to answer in the coming session.

## Background & Policy Context

### Workforce Development Policy in Massachusetts

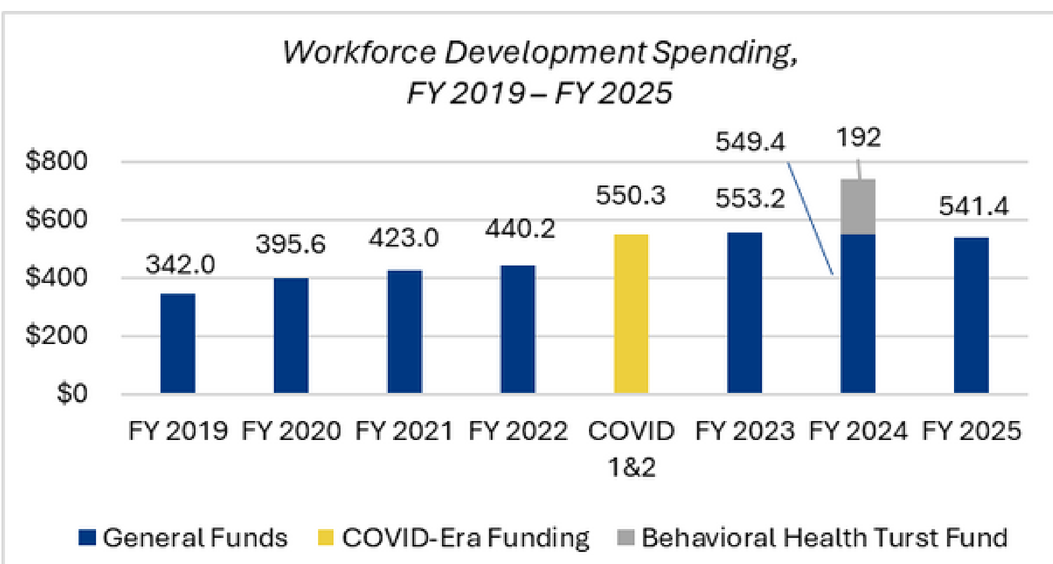
As MTF's Competitiveness Index highlights, Massachusetts has long faced significant population challenges, worsened by the pandemic, that limit labor force growth. Between 2018 and 2023, Massachusetts' labor force declined by 2.4 percent, placing the state 48th in the nation in terms of labor force change over that time. Without a growing workforce, it is difficult for the state to fill positions in key sectors, like healthcare, and expand into emerging sectors, like ClimateTech. MTF's recent report on the behavioral health workforce found a decrease of over 2,450 Social Workers and Community Health Workers since 2017, while over the same time period, demand for those services surged. To improve the state's workforce development system, policymakers have primarily supported training and employment programs through the annual state budget.

Funding for workforce development programs is spread across over 40 line-items and overseen by 16 public entities. While there is a wide range of programs that support workforce development, all programs include one of the following characteristics:

- Provide direct training for employment
- Reduce costs of skill development
- Remove vocational barriers
- Offer services that support stable and sustainable job opportunities for:
  - Unemployed individuals
  - Underemployed and incumbent workers
  - Eligible youth populations

Unlike many policy areas, workforce development efforts are not concentrated in one area of government. The state's workforce development system involves many entities, including secretariats, state agencies, quasi-public agencies, educational institutions, and training providers. Since its creation during the Patrick administration, the Workforce Skills Cabinet (WSC) has been used to coordinate workforce investments across the secretariats representing the vast majority of the state's workforce programs. The members of the cabinet are:

- Executive Office of Economic Development (EOED)
- Executive Office of Education (EOE)
- Executive Office of Health and Human Services (EOHHS)
- Executive Office of Labor and Workforce Development (EOLWD)




*$ in millions*

Spending on workforce development programs significantly increased following the pandemic. Between FY 2019 and FY 2022, workforce development investments steadily increased annually by an average of $32.7 million (9 percent). In 2021 and 2022, two COVID recovery and economic development bills were enacted to address pandemic-related challenges, including $550.3 million for workforce development programs, which exceeded typical annual state budget spending on workforce development. Funding from the COVID bills is expected to continue supporting various workforce programs through FY 2025 and supplement annual investments through the state budget, including the Behavioral Health Trust Fund.

In MTF's research, workforce investments are organized into three categories based on a program's policy goal and target population.

- Individual Workforce Training – Programs that provide basic skill development and vocational training.
- Sector-Based – Programs that provide specialized training and credentialing for an in-demand occupation.
- Training Opportunities for State-Serving Populations – Programs that provide training and employment programs for individuals who receive state services.

*FY 2024-FY2025 Workforce Spending by Category*

| Workforce Category | FY 2024 | FY 2025 |
|---|---|---|
| Individual Workforce Training | $131.5 | $130.5 |
| Sector-Based | $111.8 | $60.6 |
| Training Opportunities for State-Serving Populations | $306.1 | $350.3 |
| **Total** | **$549.4** | **$541.4** |

*$ in millions*

Most workforce development spending is for programs that serve state-serving populations, including individuals living with disabilities and low-income families. In FY 2025, spending for these programs represents nearly two-thirds of all workforce spending and supports the state's largest workforce program, Community Day and Work Programs. Overall, while spending for Training Opportunities for State-Serving Populations increased by $44.3 million (14.5 percent) in FY 2025, these increases were offset by spending decreases for Sector-Based programs. Funding decreases for Sector-Based programs reflect the availability of funds from FY 2024 and remaining funds from the COVID recovery and economic development bills.

*FY 2024-FY2025 Workforce Spending by WSC Secretariat*

| Secretariat | FY 2024 | FY 2025 |
|---|---|---|
| EOHHS | $303.5 | $347.2 |
| EOE | $174.6 | $132.1 |
| EOLWD | $63.2 | $58.2 |
| EOED | $5.5 | $1.2 |
| **Total** | **$546.8** | **$538.7** |
| **Others** | **$2.6** | **$2.7** |

*$ in millions*

Nearly all workforce development spending is concentrated in the four secretariats that make up the WSC, with most spending directed toward EOHHS, where spending on state-serving populations is concentrated. In FY 2025, EOHHS represents 64 percent of workforce development spending, which includes funding for the Community Day and Work Programs line-item and enhanced reimbursement rates for human service providers who participate in the program. Two other secretariats represent notable shares of workforce spending: EOE (24 percent) and the EOLWD (11 percent). EOE and EOLWD saw slight funding decreases in FY 2025 compared to FY 2024, $42.5 million (24 percent) and $5 million (8 percent), respectively. Programs that received less funding under EOE and EOLWD, such as Targeted Scholarships and Career Technical Institutes, have outstanding resources to supplement spending.

## Economic Development Policy in Massachusetts

Unlike workforce development, the primary source of financing for economic development policy comes through the state's capital budget, as set forth in the annual Capital Investment Plan (CIP). The economic development component of the CIP is typically refreshed every two years through a targeted bond bill (usually called the economic development bill), which includes a mix of reauthorizations for existing capital programs, new spending initiatives, and policy proposals.

*Economic Development Bond Cap Spending, FY 2021-FY 2025*

| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|
| Economic Development | $218.8 | $209.0 | $245.0 | $242.0 | $269.0 |
| **Share of Bond Cap** | **8.9%** | **7.9%** | **8.8%** | **8.3%** | **8.6%** |

*$ in millions*

Historically, economic development spending makes up slightly less than 10 percent of the state's total bond cap. You can learn more about the bond cap in MTF's Legislative Session Preview: Capital Spending & Infrastructure. Over the last five years, economic development investments have remained stable – ranging between 7.9 percent and 8.9 percent of all state bond cap spending.

The largest share of annual state capital spending on economic development typically goes to the MassWorks program (planned spending of $96 million in FY 2025). MassWorks provides capital grants to municipalities and other public entities for infrastructure projects likely to leverage private investment and development. Other major longstanding capital spending programs include the Life Sciences Capital Program ($35 million in FY 2025), site remediation[1] ($20.9 million in FY 2025), and support for ports and harbor projects ($20.9 million in FY 2025).[2]

Economic development capital spending is governed by the economic development bills referenced above. These bills provide five-year authorizations for major capital spending programs – like MassWorks. Spending authorizations in the economic development bills provide an upper limit on the amount that can be included in the state's Capital Investment Plan over a five-year period, but the administration makes annual determinations on actual spending amounts within those broad authorizations.

Economic development legislation is not limited to capital spending, and every two years hundreds of policy proposals are put forward in the three versions of the bill developed by the administration, House, and Senate. In the 2023 – 2024 legislative session, policy proposals put forward in various versions of the economic development bill included new tax credits, changes to the law governing ticket sales, civil service reform, and criminal justice policy.

Economic development bills are typically filed by the administration in the spring of the second year of the legislative session, with House and Senate action occurring in the summer. Because economic development bills authorize bond sales, they require a roll call vote to be enacted. Under House and Senate rules, formal sessions in which roll call votes can be recorded, end on July 31st of the second year of the session. In spite of this deadline, final legislative action on economic development bills in each of the last three sessions has not occurred by July 31st and either special sessions have been called to finalize the bill (as in 2020 and 2024) or the bill has waited until the following session (2022).

While omnibus bills every two years are the most consistent vehicles for economic development policy, action is not limited to those bills. Each year's budget includes appropriations and often new initiatives for the state's EOED, which implements the state's economic development policy, and the budget can also include economic development policy "outside sections."

In the 2023 – 2024 session, a tax bill was also a major component of the state's ongoing economic development strategy. As detailed below, Governor Healey signed into law the

[1] Site preparation and remediation includes Revitalization of Underused Properties ($16.6M), Site Readiness ($3M), and Brownfields Redevelopment ($1.3M)
[2] Port and harbor support includes Seaport Council grants ($13.5M), Dredging grants ($4.1M), and New Bedford harbor dredging ($3.3M).

largest tax reductions in Massachusetts in more than 20 years, with each component of the bill intended to increase the state's competitiveness and affordability. Finally, other capital spending bills, like the Affordable Homes Act passed in 2024, often have major implications for larger economic development policies.

While economic development bills and other related legislation must be passed by both the House and Senate before being signed into law, each administration also develops a formal economic development plan every four years. The Healey administration's plan, Team Massachusetts: Leading Future Generations, is detailed below.

## Key Actions in the 2023-2024 Legislative Session

*Workforce Development*

**Significant Investments in Key Sectors** - Over the last two years, investments in sector-based workforce programs saw the largest proportional increase in spending compared to basic skill development and employment opportunities for state-serving populations. Policymakers focused workforce investments in key sectors, such as behavioral health and ClimateTech, where the state is looking to address significant challenges filling entry-level positions, upskilling incumbent workers to fill mid-entry positions, and meeting demand for services and supporting new industries.

- Behavioral Health - One of the state's largest ever workforce investments is the MA Repay program, a student loan repayment assistance program for healthcare workers, primarily supported by funds from the COVID recovery bills ($110 million) and funds deposited into the Behavioral Health Trust Fund ($192 million). In FY 2024, $192 million from the Behavioral Health Trust Fund was used to support a range of behavioral health workforce programs, including $100 million for the MA Repay Program and $70 million for upcoming scholarships, funded field placements, and clinical supervision incentives to support the behavioral healthcare workforce.

- ClimateTech – Building on the investments made in the COVID recovery bills, the economic development bond bill included a $200 million authorization for the Clean Energy Investment Trust Fund. The fund supports a range of clean energy workforce development programs administered by the Massachusetts Clean Energy Center. Notable workforce programs include the Equity Workforce Training Implementation Grants program, which awards funding to organizations that can build and scale career pathways leading to ClimateTech occupations and provide wraparound and retention support services.

[1] Site preparation and remediation includes Revitalization of Underused Properties ($16.6M), Site Readiness ($3M), and Brownfields Redevelopment ($1.3M)
[2] Port and harbor support includes Seaport Council grants ($13.5M), Dredging grants ($4.1M), and New Bedford harbor dredging ($3.3M).

**COVID-Era Resources Continued to Support Spending** - After several years of significant increases in budgeted spending, policymakers faced tough funding decisions during the FY 2024 and FY 2025 budget development processes following a slowdown in tax revenue collections. While workforce development funding slightly decreased in FY 2024 and FY 2025, many workforce programs continue to be supported by remaining resources from the COVID recovery bills to offset funding decreases in the budget. However, the availability of these funds for programming in FY 2025 and beyond varies. For example, workforce programs supported through grant funding from the Workforce Competitiveness Trust Fund (WCTF) operate over three years on a cost reimbursement model, meaning all awarded funds are obligated and reimbursed over the grant cycle. While the WCTF balance is $102.3 million, the remaining $12.8 million from the COVID recovery bill is fully obligated, meaning these funds are unavailable to support new programs.

*Economic Development*

**2024 Economic Development Bill (An Act Relative to Strengthening Massachusetts' Economic Leadership)** – In November of 2024, Governor Healey signed a $3.96 billion biennial economic development bill, which the House and Senate passed in special legislative sessions. The bill, which included 35 separate capital authorizations and 329 different policy sections, was notable for reauthorizing the state's life sciences initiative for a further ten years and providing $400 million in authorized capital spending for a new ClimateTech initiative to be housed at the state's Clean Energy Center. Policy sections in the final bill included a process to allow for the development of a soccer stadium in Everett, the merging of the Mass. Growth Capital Corporation and MassDevelopment, reforms to the state's civil service process, and the creation of new tax credits for live theater productions, data centers, and employment of interns.

**Tax Relief Legislation** – In October of 2023, Governor Healey signed into law a $951 million tax relief bill, which included all major tax relief proposals put forward by the administration, House, and Senate earlier in the year. The final bill included 17 separate tax provisions, each designed to reduce costs and increase affordability for residents and employers. Major elements included an expansion of the Child and Dependent Tax Credit ($300 million fiscal impact), an increase in the estate tax threshold ($213 million fiscal impact), an increase to the earned income tax credit ($91 million fiscal impact), and implementation of universal single sales factor apportionment for businesses ($79 million fiscal impact).

**Healey-Driscoll Administration Economic Development Plan** – In December of 2023, the Executive Office of Economic Development released its four-year economic development plan, Team Massachusetts: Leading Future Generations. The plan identified three areas of focus: fundamentals to the state's economy, maintaining and expanding the state's talented workforce, and key historic and emerging economic development sectors in the state. The plan highlighted the importance of accessible and available housing and a reliable transportation system to our long-term economic health. It also prioritized continued support of the tech and life sciences sectors in Massachusetts, as well as the need to implement a strategy to support emerging sectors like ClimateTech. Many of the areas highlighted in the plan were then included in the administration's economic development bill filed in the spring of 2024.

## Key Policy Questions for the 2025-2026 Legislative Session

Workforce Development

***How can statutory changes improve workforce development coordination across agencies?***

The siloed nature of the workforce system across state agencies makes it challenging to coordinate investments that often overlap in policy goals and have varying data reporting methods. The availability of sufficient data for workforce development programs is often contingent on whether language requiring reporting is in budget line-item language. Codifying the WSC provides an opportunity for the state to clearly define the cabinet's role in streamlining the workforce development system and create a reporting structure that demonstrates the impact on workforce needs. Without timely and sufficient data on program participation and outcomes, it is challenging to evaluate the efficacy of programs and determine appropriate funding.

During the last session, two bills intended to address some of these data reporting challenges were filed, but not enacted. These bills could provide a starting framework for future legislative action to continue building on recent workforce investments.

- *An Act to make data on workforce development outcomes public and accessible (S.1187)* – The bill proposed several improvements to workforce program evaluations and longitudinal outcomes, including better access to data and the establishment of a common case management system for agencies with a shared customer base.

- *An Act establishing an education-to-career data center (H.4421/S.2666)* – The bill proposed codifying the Massachusetts Education-to-Career Data Center under the Executive Office of Technology Services and Security. The Center maintains a longitudinal data system by collaborating with state agencies on how children progress from early education and care settings to the workforce.

MTF

***What policy tools could be used to reduce workforce barriers?***

A priority of recent workforce development investments has been to not only grow the workforce but also to diversify the workforce across key sectors. However, barriers to employment remain, especially for individuals from underrepresented populations and newly arrived migrants. In MTF's recent report on the Behavioral Health Workforce Challenge, several recommendations are included to reduce barriers to one of the state's in-demand sectors, such as providing financial assistance throughout the entire credentialing process to address the high training costs associated with the field. Other barriers, such as licensure requirements, often make it more difficult for foreign-trained professionals, in many cases with years of experience, to practice at an equivalent level in the state. These barriers often limit individuals from underrepresented backgrounds from entering the field, which also negatively impacts the accessibility of behavioral healthcare for underserved populations.

***How will the end of COVID-era funding impact future workforce development funding?***

Notable workforce programs, including the Workforce Competitiveness Trust Fund and MA Repay, were supported by significant pandemic-era funding made possible by the American Rescue Plan Act and significant state surpluses, which will no longer be available to support new training or professionals for loan repayment assistance. These programs may face funding cliffs if the operating budget is strained by slowed revenue growth and supplemental funding is unavailable. Careful consideration will be required when determining future funding for programs critical to supporting growth and diversity in key sectors of the state's economy. Here, the availability of consistent reports of performance and outcome metrics for workforce development programs could play a crucial role in determining appropriate funding levels or whether programs could be combined to improve efficiency.

***Will Massachusetts have to repay the federal government for improper use of federal pandemic-era unemployment funds?***

A unique challenge facing policymakers is the $2.5 billion in federal funding mistakenly used to pay state pandemic-era unemployment benefits. During the pandemic, several new state and federal benefit programs were created and in 2023 an audit identified $2.5 billion in payments incorrectly made from federal funds. It is unclear whether Massachusetts will have to pay the federal government back, and if so, how that can be accomplished without further burdening employers already paying an Unemployment Insurance surcharge. The Healey administration has been working with the U.S. Department of Labor to address the issue. However, the outcome of ongoing conversations with the federal government could be impacted by the new Presidential administration.

## Economic Development

### *What policy tools can be used to improve Massachusetts' competitiveness and affordability?*

As highlighted in MTF's 2024 Competitiveness Index, Massachusetts is increasingly competing with regional and economic rivals for people, employment, and investment and the state's high-cost structure is contributing to outmigration among young professionals as well as those at both ends of the economic spectrum. The three most notable legislative accomplishments of the 2023 – 2024 legislative session: the Affordable Homes Act, tax relief, and the economic development bill, all directly relate to these concerns of affordability and competitiveness. Looking to the next session, that same focus is likely to remain in place.

The 2026 economic development bill will certainly be a key vehicle to support the policy themes identified in the state's economic development plan, but the upcoming Environmental Bond Bill and the FY 2026 budget will also offer an opportunity to build on recent ClimateTech investments. In addition, investments to improve the state's transportation system will be necessary to support the reliability of the current system and provide residents from around the state with improved options.

### *How can the state and its cities adjust to changes in work and commute patterns?*

MTF's research has made clear the connection between the economic future of Downtown Boston and our housing and transportation challenges. The data tell us that if workers cannot get to the office within a reasonable amount of time, they are much more likely to work from home and so housing affordability and the reliability of transportation networks is critical. The Affordable Homes Act included record authorizations to support affordable and other housing production, but continuing to make it easier to build market-rate housing has to remain a policy priority. At the same time, stabilizing short-term transportation operating deficits to allow the MBTA and other transportation agencies to continue to improve reliability and access must also top the priority list.

***Can the economic development bill process be expedited?***

As MTF noted in our Economic Development Bill Reasons to Act , the timeline for the economic development bill has gotten increasingly delayed in recent sessions. In 2024, the House acted on Economic Development legislation on June 27th and the Senate engrossed its bill on July 11th, leaving less than three weeks to resolve hundreds of differences in the two bills, all while competing with other legislation being negotiated at the end of the session. Allowing at least six weeks for conference committee negotiations in the next session will significantly increase the likelihood of timely resolution and allow for more thoughtful deliberation.

**Related Research from the Massachusetts Taxpayers Foundation**

**Workforce Development**

- The Behavioral Health Workforce Challenge
- FY 2025: Conference Committee Preview: Workforce Development
- Massachusetts Workforce Investments: COVID Relief and State Surplus Funding
- FY 2025 Budget: Workforce Investments
- Massachusetts Workforce Investments: Training Opportunities for State-Serving Populations
- Massachusetts Workforce Investments: Sector-Based Programs
- Massachusetts Workforce Investments: Individual Training Programs
- Massachusetts Workforce Development System: Understanding State Investments

**Economic Development**

- Massachusetts 2024 Competitiveness Index
- Economic Development Legislation Reasons to Act
- Economic Development Legislation: Conference Committee Preview
- Keeping the State's Economic Edge: Key Sectors Under Pressure
- MTF Summary of Mass Leads Act
- The Real Estate Market of Downtown Boston

For more information on workforce policy, reach out to MTF Researcher Pablo Suarez at psuarez@masstaxpayers.org

# CAPITAL SPENDING & INFRASTRUCTURE

Each year, Massachusetts produces a Capital Investment Plan (CIP) to enumerate the state's planned investments in its physical infrastructure. This spending plan is in addition to the annual operating budget, which supports the ongoing functions of state departments, services, and programs. The CIP is primarily funded via the sale of bonds, which are repaid through debt service payments over the useful life of the project. While the State Legislature does not play a direct role in the development of the CIP, it does play a crucial role in authorizing the state's sale of bonds for specific infrastructure uses through the passage of "bond bills."

During the 2025 – 2026 legislative session, the Healey administration and Legislature will take up several major bond bills that will shape the future of capital spending and inform the Capital Investment Plan. They will also face legitimate limitations on borrowing and uncertainties surrounding federal infrastructure funding; two factors that will force difficult decisions on what capital investments are possible.

To prepare for the session ahead, this preview reviews the major policy actions that took place during the 2023 – 2024 legislative session related to capital and infrastructure spending, including the release of the Fiscal Year (FY) 2025 Capital Investment Plan, the passage of critical Federal Funds legislation, and the approval of several major bond bills related to housing and economic development. It also poses several key questions for policymakers to consider in the new session.

## Background & Policy Context

### Capital Investment Plan & Bond Bill Development Processes

While the CIP does not require legislative approval, its development generally conforms to the fiscal year schedule. The administration's CIP must be released by July 1st of each year, and it details the capital investments planned for the following five fiscal years.

Bond bills must be filed by the Governor and move through the traditional legislative process. Because all borrowing by the state must be approved by a two-thirds majority vote in both chambers, bond bills must be acted upon during Formal Sessions in which roll call votes can be recorded. The terms of the bond bill – including how long the bond issuance remains valid, and the date by which the bonds must be payable – are then enacted through separate legislation.

Additional details regarding the development processes for the Capital Investment Plan (CIP) and bond bills are included in MTF's Capital Investment Plan Process 101 Primer.

## The FY 2025 Capital Investment Plan

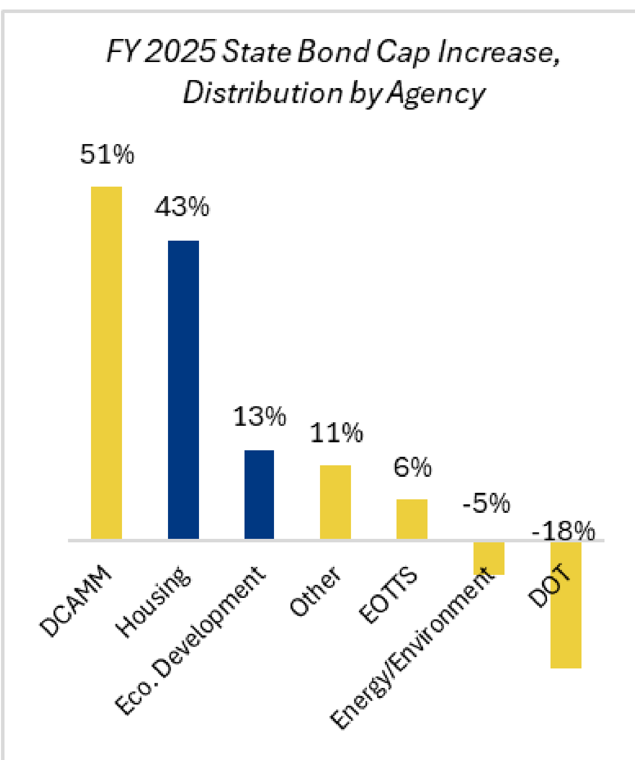
The Healey-Driscoll administration released its Capital Investment Plan (CIP) for FY 2025 – FY 2029 on June 13, 2024. Over five years, the CIP calls for more than $29.2 billion in capital investment; with $5.8 billion in capital spending planned for FY 2025. The CIP is supported by a combination of state-backed bonds, federal funds, and other revenues; but the largest source of funding for the plan comes from General Obligation (GO) bonds, also known as the state bond cap.

General Obligation bonds are secured by the full faith and credit of the Commonwealth, and they are repaid by the state's General Fund via debt service payments.

*FY 2025-FY 2029 CIP by Source*

| Funding Source | FY 2025 | FY 2025 – 2029 |
|---|---|---|
| State Bond Cap | $3,117 | $15,586 |
| Non-Bond Cap | $408 | $2,185 |
| Operating Funds | $434 | $1,467 |
| Federal Funds | $1,467 | $8,455 |
| Other Funds | $434 | $1,582 |
| **Total** | **$5,860** | **$29,275** |

*$ in millions*

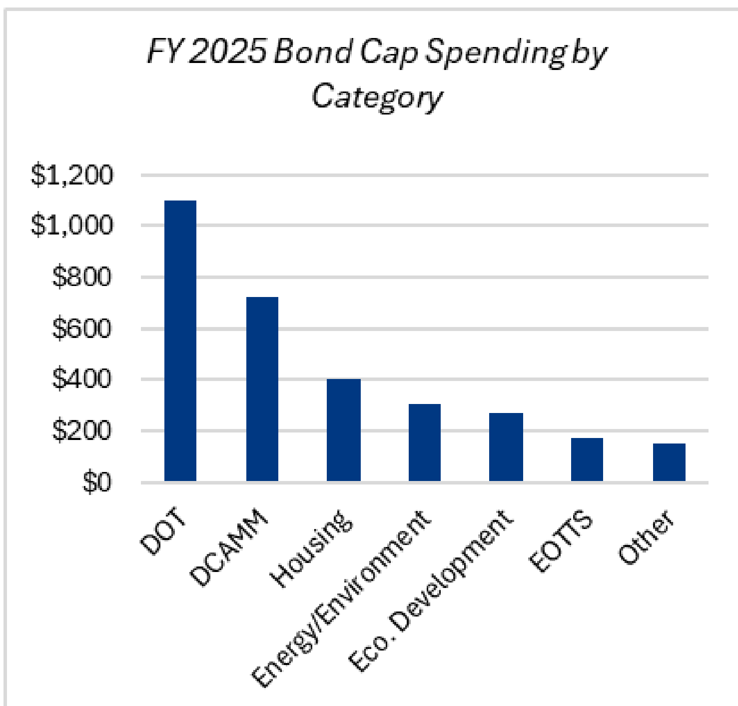



While GO bonds are one of the most flexible tools available to support capital spending, their use is also constrained by specific debt affordability policies to ensure that the state does not become overly reliant on borrowing.

In FY 2025, the CIP reflected a $212 million increase to the state's bond cap (from $2.9 billion to $3.1 billion); per the recommendation of the Debt Affordability Committee (DAC). The DAC was established by legislation in 2012 to regularly evaluate the amount and condition of the state's tax-supported debt. By December 15th of each year, they issue a recommendation to the Governor on the amount of new bond cap spending that may be authorized for the next year. In FY 2025, the bond cap increase of $212 million is comprised of a $125 million standard increase, plus a one-time adjustment of $87.2 million to account for increased construction costs related to high-inflation.

Because the state bond cap represents the largest and most flexible source of funding for capital investment, it is often broken down and evaluated by policy-area. This analysis allows policymakers to assess which aspects of the state's physical infrastructure receive the largest amount of investment, and how new capital spending is being distributed across agencies. For example, between FY 2024 and FY 2025, the largest share of the state bond cap increase was directed towards capital asset management (DCAMM), housing, and economic development.

Seeing a large portion of new capital spending targeted towards housing and economic development in FY 2025 is not surprising, given that two of the largest bond bills filed by the Governor and considered by the Legislature last session were in these areas. It's also important to note that the decrease in state bond cap spending for transportation does not necessarily indicate a lack of investment in that area. In FY 2025 and beyond, there will be alternative resources available to support transportation capital investments, including surtax revenues set aside in the Education and Transportation Innovation and Capital Fund and a dedicated annual transfer of $250 million in surtax revenues to the Commonwealth Transportation Fund, which is estimated to increase the fund's borrowing capacity by at least an additional $1 billion over the course of five years.




However, while the distribution of new state bond cap spending – as shown in the chart above – illustrates the emerging capital spending priorities of the administration; it does not provide a complete picture of state capital investment. For example, despite seeing its share of the state bond cap decrease in the FY 2025 CIP, transportation continues to make up the largest portion of overall state capital spending. Similarly, while housing and economic development are clear areas of focus for the Healey administration, they make up approximately 13 percent and 8.6 percent of CIP spending in FY 2025, respectively. Looking ahead to the new legislative session, further shifts in the distribution of new state bond cap spending could reflect multiple factors, including the prioritization of new areas for investment, the availability of other resources for capital projects, and the potential reduction in federal infrastructure funding under the Trump administration.

Ultimately, while the Capital Investment Plan is the primary resource available to understand the state's infrastructure investment strategy, it provides less clarity on actual spending plans compared to the operating budget. Because the operating budget is a piece of legislation, the administration – barring mid-year spending cuts or other unique circumstances – is required to pay out spending items that are signed into law. In contrast, the CIP is developed and implemented almost entirely independently by the Governor's administration, and they are granted wide discretion over actual capital spending amounts to ensure that the state adheres to several administrative and statutory debt affordability policies.

## Limitations on State Borrowing

The size and scope of state's Capital Investment Plan, as well as actual capital spending levels, are primarily controlled by three administrative and statutory debt affordability policies.

1. *Statutory Debt Limit* – Since the 1990s, state finance law has limited the amount of outstanding direct debt that the state may carry on its books. The statutory debt limit is calculated and established each year by the State Treasurer, and it is statutorily permitted to grow by 5 percent each year. Several types of debt are excluded from the statutory debt limit, including borrowing that is repaid using dedicated revenue streams like Special Obligation (SO) bonds for the Accelerated Bridge Program and Federal Grant Anticipation notes. In FY 2024, the limit was set at $30.6 billion.

2. *Debt Service as a Percent of Budgeted Revenues* – Beginning in 2008, the Executive Office for Administration and Finance established an administrative policy that limits borrowing to a level designed to keep debt service payments at 8 percent or less of budgeted revenues. Budgeted revenues include all taxes and other revenue available to support operating expenses, and certain types of debt are excluded from this calculation as well, like debt issued by the MBTA or School Building Authority.

3. *State Bond Cap Growth* – Also established in 2008, this policy limits annual growth in the state's bond cap to no more than $125 million each year; excluding one-time adjustments and carry-forward bond cap capacity from prior years. As discussed above, the bond cap only applies to General Obligation bonds, which are repaid using revenues from the state's General Fund.

While each of these policies serves a unique purpose, their shared goal is to ensure that the Commonwealth does not become overly reliant on borrowing or have to dedicate larger shares of its operating budget towards debt service payments.

It is the responsibility of the Capital Debt Affordability Committee (DAC) to regularly evaluate the state's position in relation to these policies, as well as the amount and condition of the state's tax- supported debt.

Understanding how these policies impact the relationship between bond bills and the Capital Investment Plan is critical when comparing authorized borrowing to actual capital spending. For example, the 2018 Housing Bond Bill authorized $1.8 billion in capital spending, a record level of investment at the time. However, between FY 2019 and FY 2023, the actual amount of housing spending included in the CIP was approximately $1.2 billion, or two-thirds the authorized level. There are multiple factors that contribute to the gap between authorizations and actual spending, but the state's debt affordability policies play a major role.

For additional details on this dynamic, and on state capital spending related to housing, see MTF's Summary of the Affordable Homes Act.

## Federal Infrastructure Investments

During the Biden administration, the federal government made unprecedented investments in transportation, climate resiliency, and emerging economic sector infrastructure through three pieces of legislation: the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS). Combined, these three bills included over $2 trillion in spending, nearly half of which was to be made available to states through competitive grant programs and formula allocations over the following five to ten years.

*MTF Estimated Federal Funding Opportunity for MA*

| Federal Legislation | Estimated Massachusetts Share | Potential State Match Requirement |
|---|---|---|
| IIJA | $14.0 | $2.5 |
| IRA | $1.8 | $0.1 |
| CHIPS | $1.1 | $0.1 |
| **Total** | **$17.0** | **$2.7** |

*$ in millions*

In September 2023, MTF published a report – Capitalizing on Federal Funding Opportunities – which estimated that Massachusetts had an opportunity to access up to $17 billion in federal funding through these three bills, but to do so needed to identify approximately $3 billion in state matching funds.

Shortly after the report's release, the Healey administration announced its plan to pursue federal infrastructure funding, namely through creating a new trust fund – capitalized through interest earnings on the Stabilization Fund – that could be leveraged to draw down on federal funding opportunities, fund pay-as-you-go (PAYGO) capital projects, and support debt management strategies.

Additional details on the legislative process related to this bill are included in the Key Policy Actions section below, but the bill signed into law by the Governor established a new trust fund, capitalized with up to $750 million in interest earned on the Stabilization Fund. In addition to serving as a flexible pool of funds to maximize Massachusetts' success in securing federal infrastructure dollars, the trust also provides funding for technical assistance to local governments applying for federal grants and other financial assistance related to federal programs.

While the future of billions of dollars in federal infrastructure investments remains uncertain under the Trump administration, the framework established by this legislation to deploy a unique cache of resources to maximize capital infrastructure investment is critical to maintain. Interest earnings on the Stabilization Fund have increased exponentially in recent years, as the balance of the fund has grown towards $9 billion. Utilizing a large share of these resources to strategically invest in the state's infrastructure is a smart financial decision, which provides benefits to the state in both the short and long-term.

## Key Actions in the 2023-2024 Legislative Session

**2024 Housing Bond Bill (Affordable Homes Act)** – On August 6, 2024, Governor Healey signed into law the state's newest five-year housing bond bill, known as the Affordable Homes Act (AHA). The bill authorizes more than $5 billion in capital spending over the next five years, and includes a wide array of policy initiatives to support housing production, preservation, and affordability. Investments in the bill include $2.2 billion for public housing, $1.1 billion dedicated to housing production, $945 million for a new HousingWorks program, and $916 million targeted at vulnerable populations and other programs. Major policy provisions include a new office conversation tax credit, updates to zoning appeal standards, and accessory dwelling units by right. The size and scope of the AHA is impressive; it is more than $3 billion larger than the state's 2018 housing bond bill, which totaled $1.8 billion. However, it's important to note that actual housing-related spending may fall short of the $5 billion authorization level. As MTF described in its summary of the AHA, the state's debt affordability policies and other demands on state capital spending may limit the state's ability to fully meet the goals of the legislation.

**2024 Economic Development Bond Bill (MassLEADS)** – In November 2024, Governor Healey signed a $3.96 billion biennial economic development bill, which the House and Senate passed in special legislative sessions. The bill, which included 35 separate capital authorizations and 329 different policy sections, was notable for reauthorizing the state's life sciences initiative for a further ten years and providing $400 million in authorized capital spending for a new ClimateTech initiative to be housed at the state's Clean Energy Center. Policy sections in the final bill included a process to allow for the development of a soccer stadium in Everett, the merging of the Mass. Growth Capital Corporation and MassDevelopment, reforms to the state's civil service process, and the creation of new tax credits for live theater productions, data centers, and employment of interns.

**Passage of Federal Funds Legislation** – In October 2023, the Healey administration released its plan to pursue federal funding opportunities through the IIJA, IRA, and CHIPS Act. The proposal created a new trust – capitalized by interest earned on the Stabilization Fund – which would be leveraged to draw down on federal funds, fund PAYGO capital projects, and support debt management strategies. While the Senate and House passed their own versions of the bill in January and February, respectively, a compromise bill was not sent to the Governor's desk until September 2024. The bill that was signed into law looked very similar to the Governor's original proposal, ultimately dedicating up to $750 million in Stabilization Fund interest earnings to a new Commonwealth Federal Matching and Debt Reduction Fund. As discussed earlier in the brief, while the future of federal funding opportunities approved under the Biden administration is now uncertain, policymakers in Massachusetts should maintain the structure established by this legislation. This bill utilizes a unique resource in an innovative way that will benefit the short and long-term capital spending priorities of the state.

**Surtax Deposit into the Commonwealth Transportation Fund** – In the FY 2025 General Appropriations Act (GAA), lawmakers approved a proposal to annually transfer $250 million in income surtax revenue to the Commonwealth Transportation Fund. This automatic deposit, originally put forward by Governor Healey, aims to achieve two goals: 1) it allows the state to increase its borrowing capacity by more than $1 billion for transportation-related capital projects by expanding the ongoing revenue base of the CTF; and 2) it immediately increases the resources available to support MassDOT, the MBTA, and other transportation-related initiatives. In FY 2025, after the $250 million is deposited into the CTF, $127 million is directed towards MBTA operations, $60 million is targeted to MassDOT, and $63 million is withheld in the fund for future debt service obligations. Like the federal funds legislation, this proposal was an innovative way to maximize the impact of a new revenue source; allowing the state to make legitimate progress on its capital spending priorities despite some of the limitations on state borrowing.

## Key Policy Questions for the 2025-2026 Legislative Session

***What areas of infrastructure investment will the administration and Legislature prioritize in the new legislative session?***

During the 2023 – 2024 legislative session, three bond bills related to information technology, housing, and economic development were filed by the Governor and approved by the Legislature. Because bond bills typically authorize borrowing for a period of five years, it is likely that these topic areas will not be policymakers' primary area of attention for capital spending during the new session. Instead, bond bills focused on energy and environment, transportation, and general government infrastructure investments may rise to the top.

The state's last Environmental Bond Bill (EBB) was enacted in 2018 and it authorized $2.4 billion in state borrowing over a period of five years for a variety of climate, transportation, and environmental infrastructure programs. Many of these authorizations will soon expire, and it is very likely that a new environmental bond bill will advance this session. Similarly, the last general government and transportation-focused bond bills were signed into law in 2022.

As noted in MTF's Legislative Session Preview: Transportation, extreme weather events are now the norm, including stronger storms, increased precipitation, rising sea levels, flooding, and wildfires. According to the National Oceanic and Atmospheric Administration (NOAA), there were 28 weather-related disaster events that exceeded $1 billion in 2023. Massachusetts is not immune to these challenges, and as policymakers consider the impact of harsh weather and natural disasters on the state's physical infrastructure, an EBB provides an opportunity for the state to develop a coordinated plan that maximizes state and local resources to improve our climate resiliency.

***How can policymakers utilize surplus surtax collections to support the state's infrastructure needs?***

Early in the new legislative session, a supplemental budget appropriating more than $1 billion of surtax resources currently held in the Education and Transportation Innovation and Capital Fund is likely to be considered. This fund was created for the explicit purpose of supporting one-time and capital-related expenses, and policymakers should prioritize using these revenues to move closer towards the goal of dividing all surtax revenue evenly between the education and transportation sectors.

In the operating budget, a larger share of surtax revenue has gone towards education (59 percent in the FY 2025 GAA), with transportation receiving approximately 41 percent of the total investment in FY 2025. As lawmakers consider how to most effectively deploy excess surtax revenues, MTF recommends dedicating at least 50 percent towards transportation and using them to make meaningful progress on the state's transportation capital plan. The CIP released by MassDOT in July includes over $16.7 billion in planned transportation investments between FY 2025 and FY 2029, including significant funds for large scale projects like the Cape Cod Bridges, the I-90 Allston Multimodal project, and West-East Rail. As previously reported, funds from the Innovation and Capital Fund can also be a crucial tool in helping to address the state's immediate transportation infrastructure needs, like the FY 2026 MBTA budget shortfall, which is estimated to be $700 million.

***How can Massachusetts prepare for the uncertainties that exist around federal funds under the Trump administration?***

As discussed above, over the last three years, the Biden administration made unprecedented investments in transportation, climate resiliency, and emerging economic sector infrastructure. While initial estimates projected that Massachusetts could receive up to $17 billion in federal funds through the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS); the future of each of these bills is highly uncertain under the Trump administration. It will be extremely challenging to predict what may happen to planned federal grant awards; however, it is imperative for state leaders to move quickly to deploy the federal funds that have already been received and a plan should be developed to ensure that major infrastructure projects can move forward, despite delays or the repeal of federal funds.

***What improvements could be made to the bond bill process to ensure that the state does not miss out on key opportunities to bolster its economic competitiveness?***

Last session, Governor Healey filed her administration's economic development bond bill, *An Act relative to strengthening Massachusetts' economic leadership* (known as MassLeads) on March 1, 2024. By July, both the House and Senate had unanimously passed their own versions of the bill, but in the final days of the legislative session a compromise failed to reach the Governor's desk. As MTF wrote at the time, there were three key reasons why timely passage of an economic development bill was essential:

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1. It sent an important message that policymakers take seriously the state's status as a leader in the life sciences and climatetech sectors.

2. The borrowing authorizations were affordable and critical to the FY 2025 Capital Investment Plan.

3. The bill bolstered Massachusetts' ability to compete for a better economic future.

Ultimately, lawmakers enacted a compromise bill on November 14, 2024. While the eventual passage of the bill is a success – it included nearly $4 million in bond authorizations – key lessons were learned regarding how to prevent unnecessary delays during future deliberations. For example, taking action on bond bills earlier in the session, limiting the number and scope of outside policy sections, and prioritizing the reauthorization of key programs that are set to expire could encourage bills to move more quickly through the legislative process. The recent past indicates that it is possible; for example, economic development bills in 2014 and 2016 were enacted by the Legislature and sent to the Governor's desk by August 1st.

## Related Research from the Massachusetts Taxpayers Foundation

**Housing Bond Bill**

- MTF Summary of Governor Healey's Affordable Homes Act
- Affordable Homes Act Conference Preview

**Economic Development Bill**

- MTF Summary of Mass Leads Act
- Mass Leads Act Conference Preview
- Economic Development Legislation: Reasons to Act